

SAS storm embassy, rescue 19 hostages and kill three gunmen

The siege at the Iranian Embassy was ended last night when a team from the Special Air Service Regiment stormed the embassy and rescued the surviving 19 hostages. The three Britons, including Police Constable Trevor Locke were

saved. Three of the Iranian gunmen died in the attack, one was injured and another captured outside the embassy. Explosions rocked the building and the crackle of gunfire reverberated as police moved in behind the soldiers.

Two are shot dead as negotiations break down

By Stewart Tandler,
David Nicholson-Lord,
John Withrow and
Nicholas Timmins

A team from the Special Air Service Regiment stormed the Iranian Embassy in London last night under cover of explosions and rescued the surviving 19 hostages, held by Iranian gunmen. Two other hostages had been shot dead earlier in the day.

Three of the gunmen died in the SAS attack, one was injured, and another captured outside the embassy.

The three Britons held by the Iranian gunmen, including PC Trevor Locke, the police guard, were among the hostages who staggered from the building as smoke and flames enveloped it and automatic gunfire echoed in the street.

Ninety minutes after the siege had been lifted, Mr William Whitelaw, the Home Secretary, said he had ordered the SAS to strike after talking to Sir David McNee, the Commissioner of the Metropolitan Police.

Mr Whitelaw said: "The operation, and I think the people of this country, and many in the world will think so too, was an outstanding success, and it showed we in Britain are not prepared to tolerate terrorism in our capital city."

The attack by the SAS, whose men are specially trained in such situations, came on a day which started with police optimism which later turned to extreme pessimism for the safety of the hostages. Negotiations began in the morning, then around 2 pm it appears that things went seriously wrong.

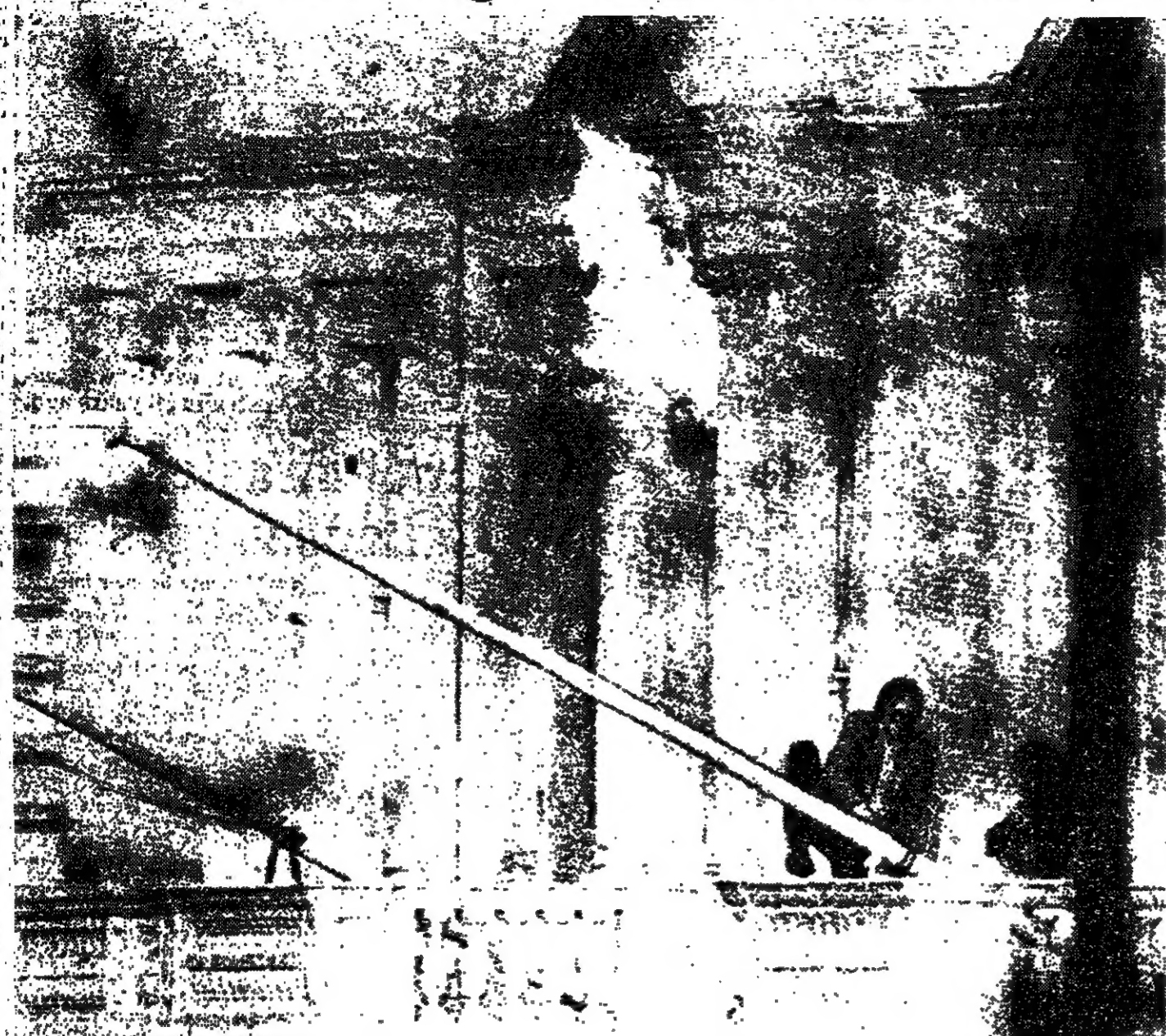
While the negotiator was on the field telephone talking to the embassy, a number of shots were heard and three later turned out to be the executions of two of the hostages.

Deputy Assistant John Delow, the officer in charge of the police operation, said later the atmosphere in the embassy had changed "by way of suggestions of instability and irritation."

It is likely the police learned of this through the sophisticated television cameras which they got close to the embassy during the six days of the siege.

During the afternoon Arab Ambassadors met Mr Douglas Hurd, Minister of State at the Foreign Office, to discuss the embassy's demands made on Saturday that they should intervene as mediators with the British Government. At Prince's Gate, the police were attempting to discover the significance of the gunshots they had heard.

To try and placate the gunmen, Sir David, who was at the scene most of the day, wrote a letter to them which was put through the letterbox at the embassy. In his letter Sir David



One of the British hostages, Mr Sim Harris, a BBC sound recordist, scrambling to safety as flames billow from a window

explained his policy and the position of the police. "I am responsible for preserving the peace and enforcing the law in London and I do this independently of politicians and the Government. I and my officers deeply wish to work towards a peaceful solution of what has occurred," he wrote to them.

In the three-paragraph letter he urged the hostages and their captors not to feel threatened or frightened. He said: "It is not our way in Britain to resort to violence against those who are peaceful. You have nothing to fear from my officers providing you do not harm those in your care. I firmly hope we can now bring this incident to a close peacefully."

At 6.55 pm the questions surrounding the shots were answered when the body of a man was pushed out of the front door of the embassy. As police marksmen moved into the open for the first time, carrying rifles and automatic weapons,

two of their colleagues placed the body on a stretcher, put a red blanket over it, and carried it away.

Twenty minutes later, as tension mounted, three explosions shattered the silence and the SAS team was in action in the five-storey building. The police refused last night to say how many were involved.

As smoke and flames rose from the embassy the crackle of gunfire reverberated. Dozens of police officers moved in behind the soldiers.

At the back of the building a cloud of teargas rose and some officers advanced wearing gas masks.

As the sound of the explosions died away a white flag appeared first at one window and then at another. Slowly the gunfire subsided and the hostages, men and women, were ushered from the building, many of them leaning against police officers for support. They were taken to St

Stephens Hospital, Fulham, where special medical facilities had stood by since the siege began at 11.30am last Wednesday.

Ambulancemen moved in as firemen fought the blaze from behind a high wall and the last signs of resistance were mopped up by police and soldiers.

More than a dozen stretchers were taken into the embassy but, because of the success of the SAS and the police, few were needed.

A fleet of nine ambulances ferried at least 21 people from the embassy to St Stephen's Hospital arriving with lights flashing and sirens sounding over a 20-minute period from just before 7.30 pm.

Sixteen people, including four women, walked from the ambulances, one of them BBC sound recordist Mr Sim Harris, who waved his hands over his head and grinned as he greeted colleagues filming his safe arrival. He looked unharmed.

Tito's widow returns from obscurity to pay final tribute

From Dassa Trevisan
Belgrade, May 5

Mrs. Jovanka Broz, the widow of President Tito, made a dramatic appearance by her husband's coffin today—her first public appearance in almost three years.

"The wife of President Tito, Jovanka Broz," a state television announcer intoned as Mrs Broz, dressed in black, stood silently crying at his flag-draped bier inside a marbled parliament hall.

She stood next to Zharko and Misha, the sons of President Tito's previous marriages, receiving condolences from leading Yugoslav figures. She was somewhat forlorn and lonely as though she was not quite one of the family although she was the first to bow to the coffin, to lay the wreath and to stand in silence for a minute.

Mrs Broz seemed to have been dropped from all official functions and no mention has been made of her until this afternoon.

Whether they were reconciled or whether they were ever formerly estranged remains a mystery. But the fact that Mrs Broz attended the ceremony today suggests that the authorities for whatever reasons that have been for excluding her from the limelight, are aware of public feeling and the questions being asked about the women who was at President Tito's side for 25 years.

The people of Belgrade gathered in their hundreds of thousands to pay homage to President Tito, who arrived as a war hero on October 20, 1944, and stayed as a ruler of modern Yugoslavia for more than 35 years. It was the largest demonstration of peace Belgrade has ever witnessed.

The President's body was brought from Ljubljana to Belgrade, by train.

At the funeral the Duke of Edinburgh will represent the Queen and Vice-President Walter Mondale will represent the United States. World leaders attending will include Chairman Hua of China and Mrs Gandhi, the Indian Prime Minister.

Kremlina assurance: The Soviet Union declared today that it would never interfere in Yugoslavia's internal affairs (Michael Binyon writes from Moscow).

The assurance was given by the Soviet Communist Party and government in a message of condolence to the Yugoslav party and government. All the agreements reached during President Tito's lifetime on relations between the two countries would be strictly observed, it said.

The message, praised President Tito fulsomely, glossing over the bitter feud caused by his break with Stalin in 1948. "The Soviet people share the grief of the Yugoslav people," Soviet message, page 7

How Lazard cashed in on new chief at British Steel

By Frank Vogl
US Economics Correspondent
Washington, May 5

Mr Disque Dean, a Lazard Frères partner, once joked about the high compensation he and his partners receive and told Fortune magazine that his bank was "the biggest racket on Wall Street."

The British Steel Corporation has appointed Mr Ian MacGregor as its new chairman, and the partners in Lazard Frères and in Russell Reynolds are laughing all the way to the bank.

Russell Reynolds, a top employment agency with offices across the United States and in London and Paris, was asked by the British Government last October to recruit a new BSC chief. It found Mr MacGregor and played a key role in negotiating his employment terms.

Mr Thomas Wise of Lazard left no doubt it had the British Government in a corner and considered it only right to press for as much cash as possible. "Do not overlook the fact that the British Government has been on a worldwide recruitment drive. They have been looking everywhere. British Steel's losses are tremendous," he said.

He implied that Lazard would suffer without the services of Mr MacGregor. Top United States corporate executives could expect to earn more than \$1m a year, and Mr MacGregor would receive no more than a modest share of the British payment to the firm. This share represented his limited partnership entitlement in Lazard. "There are no special deals of any kind with Mr MacGregor. He has not been here long enough to qualify for a pension. The money flows into the general coffers of the partnership," he said.

The way to look at this deal was in Hollywood terms. After all, if Robert Redford was under contract to MGM studios, and Columbia Pictures wanted Mr Redford for a film, Columbia would have to pay MGM.

Russell Reynolds also stands to make a handsome profit on the deal. Generally the employer gives us one-third of the first year's compensation of the executive we recruit, one of the partners said of its commission.

But he did not know the details of this arrangement, although he would not have been surprised if Russell Reynolds received some of the fee to Lazard Frères in New York.

Lazards is being paid \$675,000 for losing the services of Mr MacGregor for three years and it will get as much as \$1.15m in addition if Mr MacGregor performs well.

Lazard deals in the extraordinary and so this is merely another of a long string of sensational transactions in the company's 100 years of operation in New York.

It is a secretive, small and highly opportunistic bank. It likes to think of itself as a financial engineer, able to fix highly complicated and high-remunerative takeover bids and mergers.

Continued on page 15, col 3

Iran hands over remains of US dead

Tehran, May 5.—The bodies of the eight American servicemen, who died in the attempt to rescue the hostages in Iran, were handed over today to a Greek Catholic Archbishop who said he would take them on a flight to Switzerland tomorrow for transfer to the United States.

The bodies were handed over to Archbishop Hilarion Capucci, who was accompanied by Mr Eric Lang, the Swiss Ambassador, and the papal representative in Iran, Monsignor Annibale Bugnini.

The archbishop said he would fly with the bodies to Switzerland where he would turn the remains over to the International Red Cross for transfer to the families in the United States.

A Tehran radio broadcast said earlier that the archbishop would deliver the bodies to the Vatican. There was no explanation for the change in plans. However, Mr Capucci has not been authorized to act for the Vatican.

The archbishop expressed gratitude to Ayatollah Khomeini for Iran's "humanitarianism" in handing over the bodies.

The Americans were killed when a helicopter and transport plane collided on the ground.

The Iranian Army announced tonight that they had discovered the one remaining missing helicopter left by American commandos in the southern Iranian desert during the failed rescue mission.

The Armed Forces Joint Chiefs of staff said in a statement read on state radio that a helicopter was found in a remote location in the south of Kerman province, about 125 miles north of the Oman Sea.

The military operation intended to free the American hostages from the United States Embassy in Tehran, was launched on the night of April 24.—UPI

US prime rates fall another 1%

Morgan Guaranty Trust cut the rate it charges on most creditworthy customers by 1 per cent to 17 1/2 per cent and other banks cut prime rates to 18 per cent. The latest falls leave the Federal Reserve Board with a crucial decision: if the money policies are maintained or even tightened the 1980 recession will bite hard; if policies are eased there could be a currency crisis. The lowering of interest rates also forced the dollar down.

Coloureds to have say

Changes in South Africa's political structure are to be announced giving Coloureds and Indians some say in the running of the country. The proposed constitutional changes will also strengthen the hand of Mr Pieter Botha, the Prime Minister, against conservative elements in his party.

London transport cuts

London is threatened with cuts in its public transport because of the financial crisis facing the London Transport Executive. Bus services to outlying suburbs may have to be reduced or withdrawn and Underground stations closed.

EEC ministers meet

European Community agriculture and foreign ministers held their first meetings in Brussels today since Mrs Margaret Thatcher's rejection of the offer made last week by the eight other member states to reduce Britain's contribution to the Community budget.

Make May 14 normal day, employers urged

The Confederation of British Industry called on employers to do all they could to encourage employees to turn up for work as usual on May 14. The TUC's "day of action" in protest against government policies would be "unwelcome, wasteful and irrelevant", Sir John Green, the president, said.

Pope's plea to Congo

The Pope in Congo on the second stage of his African tour, asked the Government to allow the Church to operate in full freedom and promised that it would not endanger the state.

Thorburn takes title

Cliff Thorburn, of Canada, won the world snooker championship for the first time when he beat Alex Higgins, of Northern Ireland, in the final by 13 frames to 16.

'Propaganda' criticized

Broadcasting experts criticized Mrs Thatcher's call for a "massive propaganda campaign" of a kind we have never mounted yet "to influence public opinion in the Soviet Union."

TUC commendation: Mrs Thatcher received backing from TUC officials for her tough stance at the EEC summit.

Coup fails: Mercenary leader executed after abortive Serbian coup.

Athens: Mr Karamanlis elected President of Greece.

Classified advertisements: Appointments, pages 10, 22; Personal, 22-24; Sale Room and Antiques, 10, 22.

Roman Catholic pastoral congress demands new look at sex teaching

From Clifford Longley
Liverpool

The reexamination and fresh development of Roman Catholic official teaching on sex—particularly contraception, emerged as a strong priority from the National Pastoral Congress meeting in Liverpool yesterday.

The traditional Roman Catholic view that artificial birth control is wrong found few friends and the congress was unambiguous in demanding another look at the matter.

The issue, by far the most awkward on the whole congress agenda, was handled coolly and directly in the section dealing with marriage. Four propositions were put, each a successively stronger statement of the position against the present teaching, to test the strength of feeling.

There was overwhelming support for an extensive reappraisal of the teaching, with four of five delegates agreeing to a motion that that should "leave open the possibility of change and development."

About the same proportion agreed that there was a "need" for development and delegates seemed about equally divided on whether that necessarily meant a "change."

The gradation of feeling represented by the shift from "development" to "change" and development "was illuminating, authentic when motions virtually reasserting traditional teaching were proposed."

A motion maintaining that non-contraceptive sexual intercourse was the ideal for which every married couple should strive received only a handful of votes; a motion calling on couples to practise sexual abstinence as the proper way of regulating family size received the support of no more than about 10 per cent.

Bishops and clergy took part in the proceeding, and Cardinal Hume listened to part of the discussion, which included forceful statements from lay

Congratulations to David Scott Cowper on sailing in with the record.

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Some moves on the football field could help you plan your next business trip.



The direct route is not necessarily the most efficient. A pass to the wing followed by an accurate centre may produce better results than a solo effort down the middle that ends in lost possession. Sometimes a backward flick may be the best way to set up a big move forward.

Naturally you are impatient of players who ignore these simple strategies. So make sure you do not forget them when planning your next business trip. Let Swissair put you in mid-field Europe in Zurich or

Geneva from where we will take you in superb comfort to your final destination - you have a choice of over 90 throughout the world.

London to South America is effectively served via Geneva. London to Peking via Zurich. You can even save valuable time. For example the fastest daily connection from Manchester to Istanbul is via Zurich. The Swissair network has indeed many benefits.

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Swiss airport.

Your half-time breather can always be extended to take an excursion into the salubrious mountain air. (From June 1st, the Swiss Federal Railways will operate direct from Zurich Airport Station, only ten minutes by train to the centre of Zurich).

Win or lose, you will have played the game well. Can we help you to your next goal?

SWISSAIR

HOME NEWS

London faces Beeching-style cuts in transport over crisis caused by 20% rail wage pact

By Michael Solly
Transport Correspondent

London is threatened by Beeching-style cuts in its public transport because of a financial crisis facing the London Transport Executive.

Buses may have to be heavily reduced or wholly withdrawn from some of the less densely populated areas in the suburbs such as Bromley, Kingston, Uxbridge, Harrow, Epping and Romford. Some of the least profitable extremities of the Underground may also have to be closed.

The immediate cause of the crisis is British Rail's 20 per cent wage agreement, which London Transport sees little chance of bettering in negotiations with the same unions. A settlement of that order would plunge the executive into a £30m to £70m deficit over the next two years, even after the recent swinging 19 per cent fare rise.

A further increase in fares this summer seems inevitable; but there are ominous signs of passenger resistance after the latest one. Underground traffic, which has held up well through successive fare rises in the past few years, has dropped by 10 per cent on some services in recent weeks.

The scope for the summer is probably limited, therefore, to no more than 10 per cent, and even then only on selected services where the hapless commuters are least likely to be driven away.

That will still leave a substantial shortfall for an organi-

zation which, having used up the last of its reserves to meet a record £31m loss last year, is, like the Port of London, technically bankrupt and kept going only by the prospect of extra finance from central and local government.

Such a course presents grave difficulties, however, for the Tory administration at County Hall, which faces an election next spring and which has laid great emphasis on trying to bring LT under financial control.

Even before the crisis, it had reached the point of acrimonious public exchanges between Sir Horace Cutler, leader of the Greater London Council, and Mr Ralph Bennett, LT chairman.

The council provided LT with more than £160m last year: £60m for depreciation and renewal, £51m for fares relief, £28m for special capital investment, and £24m for free travel for pensioners.

Even if County Hall wanted to do a U-turn and sharply increased its subvention to LT, it would find it difficult to do so since the council, like LT itself, is under strict Government-imposed financial limits.

Apart from increased fares and grants, the other options are improved productivity and reduced services.

There is certainly scope for improved productivity over a period, as the controversy last year, but LT faces stubborn union resistance to measures like extending one-

man operation on the Underground.

Many of the potential productivity gains can be achieved only with new capital equipment: further extension of one-man operation on the buses, for example, must largely await a new fleet of vehicles in 1984-85, which will then release 7,000 conductors, or more than 10 per cent of the 60,000 work force.

For the time being, manpower shedding must be primarily in the somewhat limited areas of administration and overheads.

From the foregoing it is difficult to see how some cuts in services can be avoided, and from LT's point of view the obvious places to make them are in the outer suburbs, where traffic is thinnest and losses are greatest.

Ironically, it is in those areas, where streets are relatively uncluttered and staff relatively available and amenable, that the services are most satisfactory in every respect except the financial.

Ironically, too, the political complexion of the suburbs tends to be true blue, a further complication for politicians at County Hall.

Other possible options include the reduction of peak hour frequency on the Underground, an earlier evening shutdown, a raising of the child fare from 8p to 10p and a charge for the pensioners' free travel permit on the lines of British Rail's senior citizens' rail card.

Cut in travel aid affects local arts

By Martin Huckerby
Theatre Reporter

Many parts of England are being deprived of benefit cuts in spending, of a scheme which aids people in more isolated areas to travel to arts events.

More than half of the regional arts associations in England have stopped their transport subsidy schemes because of financial difficulties.

For most of the associations it was a choice between curbing the subsidy for people travelling to arts events or cutting

the arts activities. As the Merseyside Arts Association put it: "The priority was to ensure that there were still arts for people to see."

Some associations felt that the scheme had been a worthwhile incentive, attracting bigger audiences for theatres, concerts and other events, but that now, given the high cost of tickets, an extra 40p or 50p on the cost of travel would not deter people from making a trip.

Several associations regretted having to stop the sub-

sidies. Northern Arts said: "It does have a social significance. It helps people in rural areas to reach big centres."

When introduced, the subsidy helped to build audiences for new arts activities.

Now some associations are trying alternative methods of increasing audiences: Southern Arts will be devoting £4,000 this year to marketing schemes, while Lincolnshire and Humberside will spend £1,000 to help parties of school children travel to arts events out of school hours.

TUC backs Thatcher stand on EEC budget

By Donald MacIntyre
Labour Reporter

The Prime Minister has received a rare commendation from Trades Union Congress officials for her tough stance at last month's European Economic Community summit in Luxembourg.

The British Government was right to reject the compromise proposals on the reduction of Britain's contribution to the EEC budget, a TUC paper that will go before senior union leaders tomorrow states.

The TUC's economic committee is told in the paper that the proposals on offer "would have provided only a short-term solution and the Government was right to reject them."

The union leaders are reminded that the compromise proposals were for a reduction in the United Kingdom's net contribution to £328m this year. Under that proposal, the paper says, the United Kingdom contribution would have been £418m

in 1981 "after which the proposed arrangements would lapse."

While the outcome of the summit from a British point of view was "unsatisfactory", the British Government is said to "appear to have grasped the intimate connection between the reform of the common agricultural policy and reducing the United Kingdom's excessive net contribution to the EEC budget."

The committee is advised to emphasize that the linking of the budgetary question to a particular level of increase in farm prices is "unacceptable".

The extent to which the praise for the Government is confined to the issue of the budget contribution is underlined when the TUC economists say that "once again" big

heads of the Government "failed entirely" to take action to combat rising unemployment throughout the Community.

'Big benefit cuts' under curbed Bill

By Pat Healy
Social Services Correspondent

The Government is accused today of stifling discussion on legislation "that will turn the clock back for the welfare state to the pre-war years."

Condemning the introduction today of the guillotine debate on the Social Security No 2 Bill, the Child Poverty Action Group says it will mean significant losses for about 1,750,000 claimants. Cuts in national insurance benefits would drive more and more people on to means tested benefits.

"Such fundamentally retrogressive measures require the closest scrutiny and fullest consideration," Miss Jean Cousins, deputy director of the group, says in a statement.

The Bill's main purposes include cutting benefits for strikers' families.

Increased grant ends Cottesloe studio's fears

By Our Theatre Reporter

Fears that financial difficulties might lead to the closure of the National Theatre's Cottesloe studio have ended because this year's Arts Council grant is the theatre has proved sufficient to maintain all the company's activities.

The grant for 1980-81 is £4.95m, an increase over last year of about 9 per cent; but since last year's grant included a special amount to enable the theatre to take over its lease, this year's grant represents an increase of perhaps 22 per cent for the theatre's activities.

Mr Whitelaw, asked about the decision to send in the SAS, said: "It was only when it was clear that failure to take further action was going to cost lives that the commission recommended to me that the further decision should be taken and I thoroughly approved of what he did."

He said it was "an operation which will be seen, I believe, to be in the very best

Armed SAS and police storm embassy to free hostages

Continued from page 1

Casualty staff supervised the arrivals as extra nursing staff jumped from cars to enter the hospital.

Relatives and friends of the hostages began to arrive outside the hospital, some of the women puffed and anxious for news. They were escorted through the police cordon outside the hospital.

A police inspector outside St Stephen's Hospital said the hostages were all right. "They have got things like shock and cuts, that type of thing," he said. But there appeared to be no serious injury.

Police were taking detailed statements from the witnesses before allowing them to see friends and relatives.

In the aftermath, as police officers searched the embassy and firemen cleared away the debris, the police explained that the SAS moved in after all other options had been tried.

At one stage in the afternoon, as the terrorists began to talk about killing hostages at the rate of one every half hour, the police brought in a mullah to plead with the men inside.

When Sir David's letter was handed, Police Constable Locke read it to the gunmen carefully and clearly, trying to impress upon them who Sir David was and what the letter meant.

Mr Whitelaw, asked about the decision to send in the SAS, said: "It was only when it was clear that failure to take further action was going to cost lives that the commission recommended to me that the further decision should be taken and I thoroughly approved of what he did."

He said it was "an operation which will be seen, I believe, to be in the very best

standards of our British police service in this country."

In the distance, as he spoke, could be heard the chants of the Iranian demonstrators and counter-demonstrators.

The initial demands were for the freeing of 91 prisoners arrested after trouble in the Iranian province of Khuzestan, known also as Arabestan. The oil-rich province, in the south-west of Iran, is Arabic-speaking and has been demanding autonomy.

The gunmen also demanded an aircraft for themselves and their hostages.

The first inkling that things might not be going as well as the police suggested came when the gunmen demanded at the weekend the intervention of the Arab diplomats. The statement they issued suggested that they may have been demanding the appearance of the ambassadors for some time and they wanted them to force the issue of a flight out of Britain.

The other indication of possible trouble was the fact that the gunmen had refused all offers of food since Saturday night. A number of hostages had suffered from stomach upsets and, in the suspicious minds of the terrorists, this may have been linked to the food sent in.

Behind the scenes there was a deterioration to the atmosphere of the dangerous first few hours of the siege on Wednesday.

Shortly after 11.35 am that day Police Constable Locke, armed with a revolver, was on duty at the steps of the embassy at No 16 Princes Gate, when he was suddenly hustled inside by one of the gunmen. Another four terrorists swiftly followed the couple in and captured a total of 25 hostages, including Mr Chris Cramer, a BBC news

were going well between four police negotiators led by Supt Fred Luff an dthe gunmen in the embassy claiming to represent an organization called the Group of the Martyr.

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organizer, and Mr Sim Harris, a BBC sound recordist. The two men were applying for a visa and one of them was so astonished by the gunmen that he asked if he could go outside and feed his parking meter. The other Briton in the embassy was Mr Ronald Morris, a clerk.

The other hostages included senior Iranian diplomats, among them the head of the mission, a Syrian journalist and a Pakistani.

As police arrived at the scene and began cordoning off the area the gunmen issued a deadline of 24 hours for their demands and threatened to blow up the embassy if they got no response.

As Mr Luff stood outside trying to make contact with the gunmen, they told the world of their demands by telephone and telex. It was a tense first day and night but, at 12 pm on Thursday, the deadline passed as the negotiators were talking to the gunmen.

Then the gunmen suddenly

announced an extension of the deadline for another two hours "in the interests of humanity." That, too, passed without incident.

By this time the gunmen had released the first of five hostages.

In the first few hours of the siege they released an Iranian girl, who staggered from the embassy. She was in shock.

On Thursday afternoon they released Mr Cramer, who was taken to hospital with a stomach infection. Mr Cramer had been instrumental apparently in putting out the gunmen's demands to the world.

Mr Mustapha Karkouri, the Syrian journalist, had also telephoned the BBC world service on the gunmen's behalf.

But by Friday it seemed the gunmen were not happy that their demands or their case was reaching the world. Mr Anthony Crebb, a senior BBC executive, stood outside the embassy and tried to assure the men that their case was being presented.

Iran's president to thank British police for effort

Tehran, May 5.—President

Abolhasan Bani-Sadr is to send a message thanking the British police for their handling of the six-day siege of his country's embassy in London, his press spokesman said last night.

Mr Mousavi Garmaroudi said: "The president is sending a telegram to Mrs Thatcher thanking her for the action of the police and their intelligence."

Mr Garmaroudi said the message would be transmitted

through the British Embassy in Tehran.

President Bani-Sadr said in a broadcast statement that the British Embassy had informed him of the death of one hostage and the death of three of the gunmen, who captured the embassy, when the building was stormed by British security forces.

"God bless the martyr of the Islamic Republic and the independence and freedom of Iran," President Bani-Sadr said, referring to the dead hostage.—Reuter.

Tiny enterprise jeopardized by breakdown of multimillion pound contract for Britain's first ironclad warship

'Miracle' is only survival hope for steam engine restoration company

By John Chartres

Locomotion Enterprises, a tiny Gateshead company that specializes in restoration and building exact copies of historic steam locomotives and other machinery, may have to cease trading in the autumn.

The prospect, which is being viewed with dismay by the growing army of steam railway enthusiasts, comes after a breakdown in provisional arrangements for the company to handle the multimillion pound restoration of HMS Warrior, said to be Britain's first ironclad warship, which was bought recently from the Royal Navy by the Maritime Trust and is lying in dock at Hartlepool, Cleveland.

A recent meeting of five of the six shareholders in Locomotion Enterprises was told that losses from the breakdown of the HMS Warrior contract amount to about £28,000, and that a further £100,000 may have to be found for redundancy payments to employees.

The shareholders' recommen-

dation that trading will have to cease on September 30 "unless a miracle takes place" emphasizes, however, that the company will honour its commitments to the organizers of this summer's events marking the anniversaries of the Rainhill Trials, won by Stephenson's Rocket, and of the opening of the Liverpool to Manchester railway.

Thousands of steam railway enthusiasts from all over the world are expected to attend those celebrations, which begin later this month and go on until the autumn.

Locomotion Enterprises was founded by Mr Michael Satow, a retired ICI engineer, to build a working copy of Locomotion for the 150th anniversary of the Stockton to Darlington railway, and subsequently built a working copy of the Rocket, which is owned by the National Railway Museum.

The company is completing a copy of Novelty, another entrant in the Rainhill Trials, and has been giving technical advice to the British Rail

workshops at Shildon, Durham, on the construction of a copy of a third contender, Sans Pareil.

The company is also making copies of some of the original Liverpool and Manchester rolling stock and has recently installed a reproduction of the Victorian passenger steam launch, Gondola, which the National Trust has restored on Lake Coniston.

A spokesman for the shareholders promised that the last commitment would be honoured as well; the engine is due to be tested under steam soon and the vessel is to make her inaugural voyage on June 24.

Vice-Admiral Sir Patrick Bayly, the director of the Maritime Trust (whose president is the Duke of Edinburgh), said that what had been an "arm's length" agreement for Locomotion Enterprises to handle the Warrior restoration, estimated to cost anything up to £8m, had not been formally con-

cluded because of legal difficulties arising from a charitable organization employing a commercial, profit-making one.

He said that the restoration task would go ahead, although it might be even slower and more expensive than had been expected.

Anxieties have been expressed in Hartlepool that the project (which has given much hope to the depressed seaport, with a 13.5 per cent unemployment rate) might be moved elsewhere, but Admiral Bayly said there were no plans to move the 418ft ship, which has become a tourist attraction.

He expected that between 30 and 40 people would be permanently employed and hoped that arrangements would be made to open the ship to the public at weekends if enough volunteer guides came forward.

The Warrior project is now being handled by a subsidiary of the Maritime Trust, called the Ship's Preservation Trust, which has taken over offices in Hartlepool's old Custom

House, which had been acquired and refurbished by Mr Satow and his team.

Initially the financial arrangements are still being underwritten by the Maritime Trust and Landmark Charitable Trusts, a wealthy charitable organization headed by Mr J. L. E. Smith, former Conservative MP for the old City of London and Westminster constituency, but with the Maritime Trust still responsible eventually for raising the bulk of the money.

Unsettled there is a rescue operation, one of Mr Satow's long-term dreams, the establishment of a permanent "heritage workshop" on the quay at Hartlepool after the Warrior departed for a permanent berth in Portsmouth, seems doomed.

One of his objectives in founding Locomotion Enterprises was to give skilled engineering training and experience to young unemployed people in the North-east, and he envisaged the creation of at least 100 permanent jobs at such a workshop, which would have under-

taken work on all forms of historic machinery.

The future of 40 young men employed at the company's original base at Springwell, near Gateshead, is also in jeopardy.

The Transport Trust, another organization recently founded to promote the preservation of historic rail and road vehicles, said that the possible demise of Locomotion Enterprises would be a tragedy for the nation, and he sincerely hoped a rescue operation could be mounted.

The Locomotion Enterprises shareholders claim that the company has been let down after having expended a considerable sum of money in advance of a contract being signed and that a gentleman's agreement has been breached.

A 20-page report on the events has been drafted, which the shareholders hope will eventually come before the eyes of the Duke of Edinburgh, Mr Edward Leadbitter, Labour MP for Hartlepool, is being kept informed of events.

"Makes the difference between stagnation and being part of the living world"

—says 75 year old

Like too many old people she was very depressed by loneliness. "There's a limit to the conversation you can have with a dog," she said.

A Day Centre is what she longs for—somewhere cheerful to go, where she can meet other older people, have a friendly chat and a cuppa. A minibus with a volunteer driver would be an even greater blessing, for she's frightened to go out alone in her district, and there are others for whom arthritis and other troubles make it difficult to walk far.

So what stops Emma being part of the "living world"? Simply lack of funds for Help the Aged to start more centres—just as we need money for minibuses for volunteer drivers, and for Day Treatment Centres.

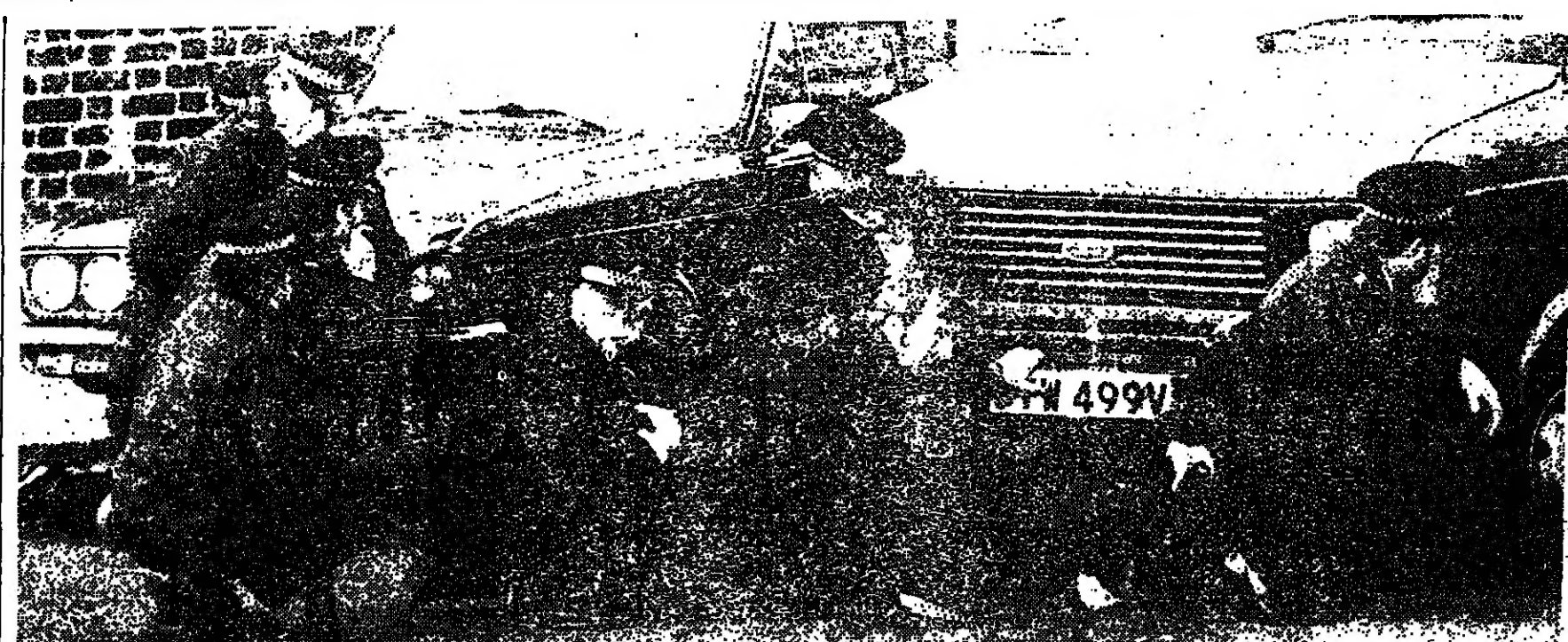
£5 is a real help towards another Day Centre.
£30 helps provide a Geriatric Day Hospital.

£150 inscribes the name of someone dear to you on the Dedication Plaque of the Day Centre it helps.

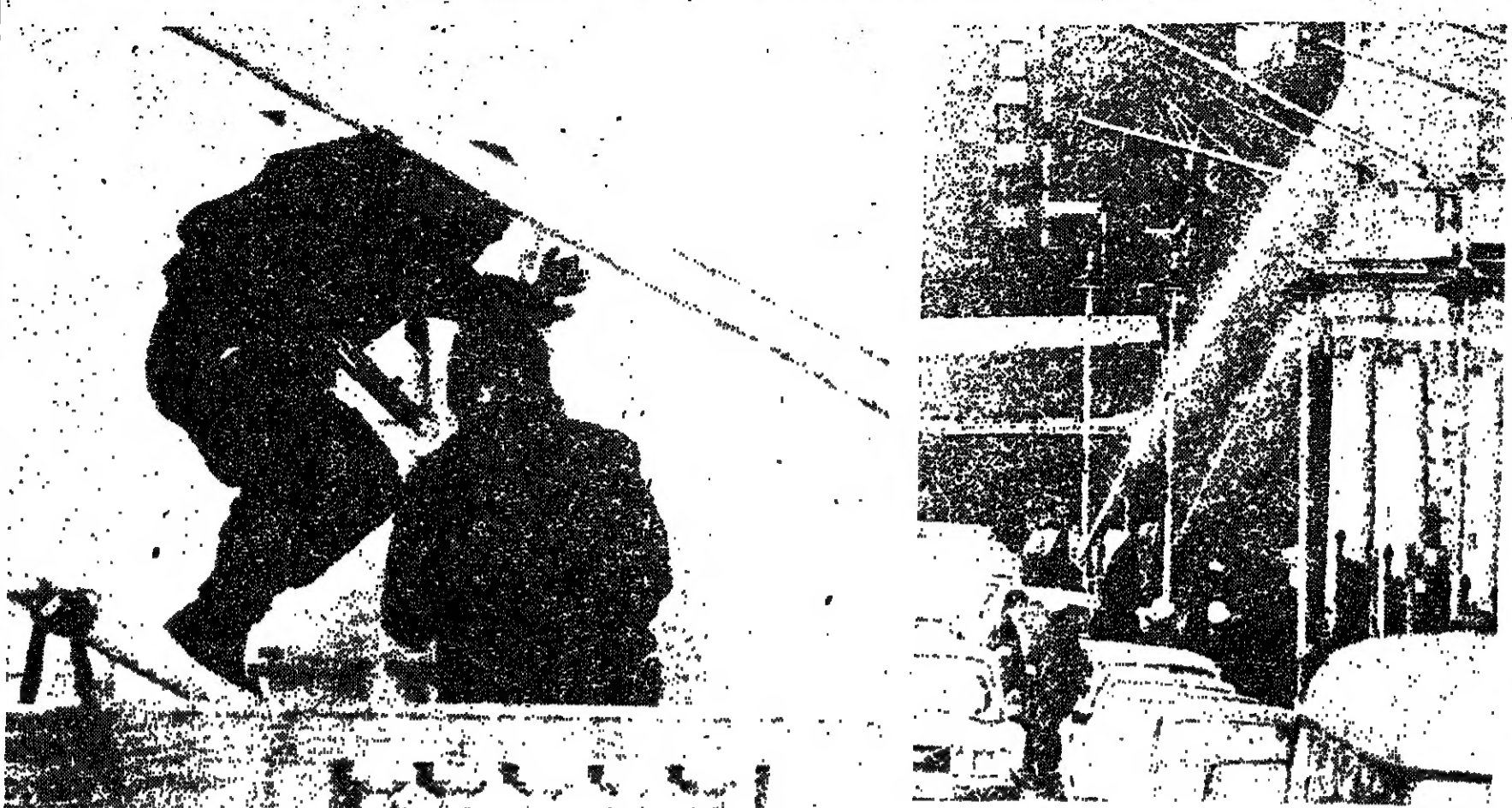
Please send your generous gift to:

Hon. Treasurer, The Rt. Hon. Lord Maybray-King, Help the Aged, Room T2, FREEPOST 30, London, W1E 7JZ. (No stamp needed).

* Please let us know if you would like your gift used for a particular purpose.



Armed police officers taking cover as bursts of gunfire erupt from the embassy in Prince's Gate, Kensington, yesterday.



Photograph by David Jones

Armed members of The Special Air Services Regiment during the assault on the embassy. Firemen tackling the blaze after the explosion.

Armed SAS and police storm embassy to free hostages

Continued from page 1

Casualty staff supervised the arrivals as extra nursing staff jumped from cars to enter the hospital.

Relatives and friends of the hostages began to arrive outside the hospital, some of the women puffed and anxious for news. They were escorted through the police cordon outside the hospital.

A police inspector outside St Stephen's Hospital said the hostages were all right. "They have got things like shock and cuts, that type of thing," he said. But there appeared to be no serious injury.

Police were taking detailed statements from the witnesses before allowing them to see friends and relatives.

In the aftermath, as police officers searched the embassy and firemen cleared away the debris, the police explained that the SAS moved in after all other options had been tried.

At one stage in the afternoon, as the terrorists began to talk about killing hostages at the rate of one every half hour, the police brought in a mullah to plead with the men inside.

When Sir David's letter was handed, Police Constable Locke read it to the gunmen carefully and clearly, trying to impress upon them who Sir David was and what the letter meant.

Mr Whitelaw, asked about the decision to send in the SAS, said: "It was only when it was clear that failure to take further action was going to cost lives that the commission recommended to me that the further decision should be taken and I thoroughly approved of what he did."

He said it was "an operation which will be seen, I believe, to be in the very best

standards of our British police service in this country."

In the distance, as he spoke, could be heard the chants of the Iranian demonstrators and counter-demonstrators.

The initial demands were for the freeing of 91 prisoners arrested after trouble in the Iranian province of Khuzestan, known also as Arabestan. The oil-rich province, in the south-west of Iran, is Arabic-speaking and has been demanding autonomy.

The gunmen also demanded an aircraft for themselves and their hostages.

The first inkling that things might not be going as well as the police suggested came when the gunmen demanded at the weekend the intervention of the Arab diplomats. The statement they issued suggested that they may have been demanding the appearance of the ambassadors for some time and they wanted them to force the issue of a flight out of Britain.

The other indication of possible trouble was the fact that the gunmen had refused all offers of food since Saturday night. A number of hostages had suffered from stomach upsets and, in the suspicious minds of the terrorists, this may have been linked to the food sent in.

Behind the scenes there was a deterioration to the atmosphere of the dangerous first few hours of the siege on Wednesday.

Shortly after 11.35 am that day Police Constable Locke, armed with a revolver, was on duty at the steps of the embassy at No 16 Princes Gate, when he was suddenly hustled inside by one of the gunmen. Another four terrorists swiftly followed the couple in and captured a total of 25 hostages, including Mr Chris Cramer, a BBC news

were going well between four police negotiators led by Supt Fred Luff an dthe gunmen in the embassy claiming to represent an organization called the Group of the Martyr.

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organizer, and Mr Sim Harris, a BBC sound recordist. The two men were applying for a visa and one of them was so astonished by the gunmen that he asked if he could go outside and feed his parking meter. The other Briton in the embassy was Mr Ronald Morris, a clerk.

The other hostages included senior Iranian diplomats, among them the head of the mission, a Syrian journalist and a Pakistani.

As police arrived at the scene and began cordoning off the area the gunmen issued a deadline of 24 hours for their demands and threatened to blow up the embassy if they got no response.

As Mr Luff stood outside trying to make contact with the gunmen, they told the world of their demands by telephone and telex. It was a tense first day and night but, at 12 pm on Thursday, the deadline passed as the negotiators were talking to the gunmen.

Then the gunmen suddenly

announced an extension of the deadline for another two hours "in the interests of

صكنا غدا العمل



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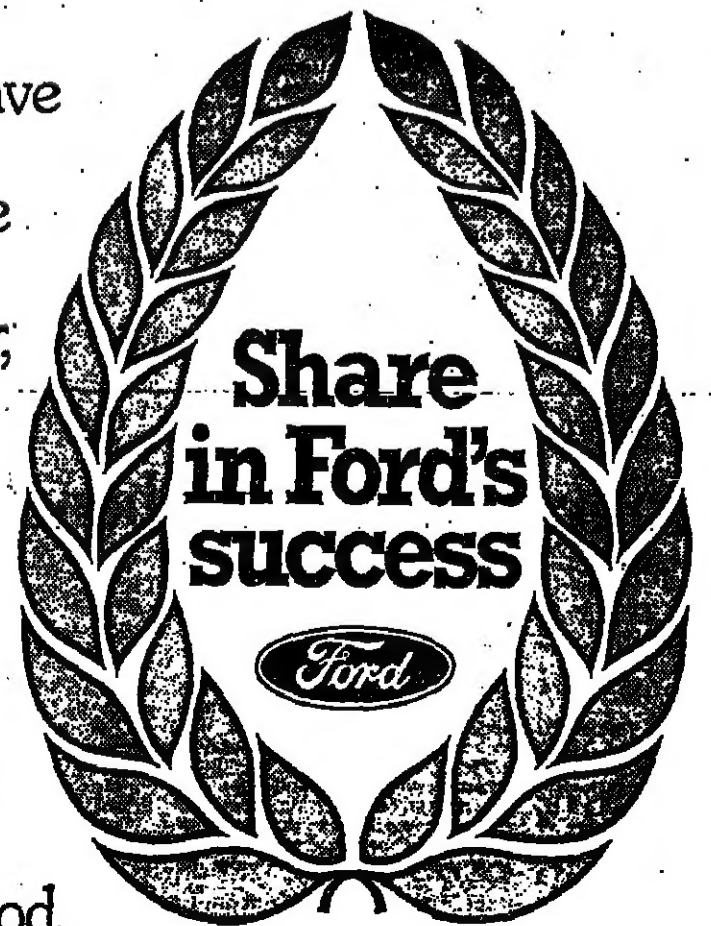
At long last supplies of new Fords have caught up with demand.

Now dealers have cars for immediate delivery.

So having had such a successful year, we'd like you to share in it.

That means that if you buy any new Ford car during May or June, your Ford dealer should be ready to give you a good deal on your old car. And favourable terms on the new one.

Why not pop in to your nearest Ford dealer and see what he can do for you. We're sure you'll find him in a generous mood.



OVERSEAS

Russia says it will never interfere in Yugoslavia

From Michael Binyon
Moscow, May 5

The Soviet Communist Party and Government today declared that Russia would never interfere in Yugoslavia's internal affairs, and would strictly observe all the agreements reached during President Tito's lifetime governing their mutual relations.

A message of condolence to the Yugoslav party and Government said President Tito had attached great significance to the development of cooperation between the two countries, and his regular meetings with the Soviet leaders contributed to a deepening of Soviet-Yugoslav friendship.

On these days of sorrow, the message added, the Soviet party and Government reaffirmed their striving for friendly relations with Yugoslavia on the basis of unswerving observance of the principles and agreements, on which understanding was jointly reached at top level, non-interference in each other's internal affairs, equality, strict respect for sovereign rights, in the spirit of mutual understanding and trust.

Glossing over the bitter feud with President Tito after 1943, the message said Soviet-Yugoslav friendship was based on a deep historical tradition, the memory of fraternity in combat and internationalist solidarity in the struggle for the ideals of Communism.

The message said the Yugoslav leader won high esteem by his vigorous party activity, leading the struggle against the Nazis, organizing the founding of the Socialist Federal Republic of Yugoslavia and strengthening the country's unity.

It noted he was founder of the non-aligned movement—an issue over which the Russians again quarrelled bitterly with Yugoslavia even as President Tito lay dying—and said he spent 40 years fighting against the forces of reaction to ensure security and social progress.

"The Soviet people share the grief of the Yugoslav people," the message said. "Josep Broz Tito's name will remain for ever in history."

No Soviet newspaper this morning carried any obituary of President Tito, and *Pravda*, which has an early deadline, carried only one sentence at the foot of the front page announcing his death. *Tass* did not publish an obituary in its English language service.

President Brezhnev is not likely to attend the funeral, but the Soviet leadership will pay a visit to the Yugoslav Embassy here to sign the book of condolences.

South Africa's Coloureds to have say in running the country under new constitutional plans

From Nicholas Ashford
Johannesburg, May 5

Important changes in South Africa's political structure are to be announced soon which will not only give Coloureds and Indians some say in the way the country is to be run in the future, but will also strengthen the hand of Mr Pieter Botha, the Prime Minister, against the powerful Verwoerd (conservative) faction within the ruling National Party.

The proposals are among a series of recommendations to be made by a commission headed by Mr Alwyn Schabas, the Minister of the Interior, which has been considering a new constitution for South Africa. The commission is expected to table its interim report in Parliament before it goes into recess next month.

One of the most important changes will be the enlargement of the House of Assembly by 20 nominated MPs. Another will be the scrapping of the Senate and its replacement by a nominated President's council of 50 members.

The council will include Coloured (mixed race), Indians and Chinese as well as whites, but not blacks. However, there are plans to set up a separate black council which would comprise representatives from the non-independent homelands as well as from black township community councils.

The President's council, which would advise the State

President on constitutional, planning and economic matters as well as community affairs (relations between the races) would have consultative powers only.

The plan to establish the President's council is likely to meet stiff resistance in Parliament from the opposition Progressive Federal Party on the ground that blacks will be excluded. Coloured, Indian and black political organizations are also likely to resist it for the same reason, and also because Coloured and Indian representatives will be nominated and not elected.

The plan to enlarge Parliament is likely to cause some disquiet within Mr Botha's own party as it will be seen as another move to strengthen the power of the executive at the expense of Parliament.

Since he became Prime Minister 20 months ago, Mr Botha has succeeded in concentrating increasing power in his hands. The fact that he is likely to have the final say in nominating the 17 National Party members out of the 20 new nominated MPs will be seen as a further stage in this process.

The expansion of Parliament is certain to strengthen Mr Botha's hand against his conservative rival Dr Andries Treurnicht, the Minister of Public Works and leader of the National Party in the Transvaal. The party is more or less evenly divided between the supporters of Dr Treurnicht (predominantly in the Trans-

vaal) and the slightly more reform-inclined supporters of Mr Botha.

Botha warning: Mr Botha today told Coloured students to call off their school boycott which has lasted three weeks. He warned them that if the boycott continued the Government would no longer tolerate any further waste of taxpayers' money.

Mr Botha issued the warning after talks with the Union of Teachers' Associations of South Africa.

Teachers led by Mr Franklyn Sonn, the organization's president, had sought a meeting with the Prime Minister after the last week issued a directive warning principals of Coloured teacher training and technical colleges to expel student boycotters who were not back in class by Wednesday—or themselves face dismissal.

Sentence set aside: Mr Zwickel Simu, the news editor of South Africa's main black-weekend newspaper, *The Sunday Post*, today had a nine-month prison sentence against him set aside by two Pretoria Supreme Court judges.

Mr Simu, president of the (black) South African Writers' Association, was sentenced to jail last August for refusing to answer questions put to him in court.

The appeal was upheld and the case referred back to the Pretoria magistrate for a review of the conviction.—Reuter.

British A-bomb blamed for deaths

From Douglas Aiton
Melbourne, May 5

A team from the South Australian Government Aboriginal Health Service is going to the area around Willamina in the centre of the state to check on the health of Aborigines following reports that several died after being enveloped in a "rolling black mist" when a British atomic bomb test was held in the area in 1953. Willamina is about 45 miles north of the British test site at Arara Field.

Witnesses claimed that people in the camp of 45 members of the Yankunytjatjara tribe became blind and within 48 hours of the cloud reaching the camp. All the Aborigines were affected by uncontrollable diarrhoea and vomiting. Soon after the rain, skin rashes like measles broke out on their bodies.

It is also claimed that within 72 hours healthy children went

blind and that several did not recover their sight. The old and frail in the camp started dying within five days. Some lingered for up to a year.

Professor Fred Hollows, of Sydney, an eye expert, has been asked to go with the team to check whether Aborigines' blindness was caused by radiation rather than diseases such as trachoma and glaucoma as previously thought.

The wife of a former sheep station owner in the far north of South Australia has confirmed the Aborigines' version of the incident. Mrs E. L. Giles, now aged 74, was in the area when the British detonated their bombs. She also said she saw the cloud and thought it was a dust storm. Her husband, Phillip, died of liver cancer in 1964. Two Aboriginal employees also there at the time of the tests later died of cancer.

The cloud left an oily, dusty residue on buildings and fruit

trees, Mrs Giles said. The fruit trees later died.

Aboriginal survivors have said they mistook a poisonous cloud for a dust storm and ate the food that was left over from the tests.

The British exploded atomic bombs on October 15 and October 27, 1953. Aborigines who survived cancer, pneumonia, the date it happened, but maintain it has been common talk among blacks for years. Only since they have read and heard recent reports of illness and death by cancer among former workers on the buckskin sheep station have the significance of their experience become apparent.

British and Australian military and scientific authorities have repeatedly said that no Aborigines could have been affected by radioactivity.

Mr P. Cooper, co-ordinator of the Australian Nuclear Veterans' Association, has demanded an immediate response from the Government.

Pope appeals for freedom of religion in Congo

Brazzaville, May 5.—The Pope on the second stage of his 10-day tour of six African countries said the Congo Government today to allow the Church the right to operate in full freedom and promised that it would not endanger the state.

He told President Sassou-Nguesso of Congo, who greeted him at the bedside, that the state could count on the loyal collaboration of the Church.

"And the Church in the name of its spiritual mission asks the liberty to speak to consciences as well as the possibility for believers to profess their faith publicly," he said.

Hundreds of thousands of Congolese, chanting and waving crosses and flags greeted the Pope when he arrived by river barge from Zaire.

In his speech of welcome President Sassou-Nguesso said that his Government wanted a fruitful dialogue with the Holy See.

He paid homage to the Pope's "sensitivity towards the sharp injustices that exist in many countries," and his "solidarity for the great poverty that is still the lot of the peoples of the Third World."

Before his departure from Zaire, the Pope expressed great sorrow at the tragedy yesterday in which nine people were trampled to death.

He said: "I hope all will unite their prayers with mine for the souls of these unfortunate."—Reuter and Agence France-Press.

Kenya preparations: Elaborate preparations have been completed for the Pope's visit to Kenya—the only east African country included in his tour (writes our Nairobi Correspondent). He is due to fly to Nairobi tomorrow from Kisumu in eastern Zaire, and will fulfil a crowded programme before leaving on Thursday morning for Ghana.

London violence bewilders police

Old ways guard Japan

From Peter Hazelhurst
Tokyo, May 5

After boarding a subway train in Tokyo at midnight recently a nervous American businessman is reported to have noticed two Japanese youths move furtively towards the seat in the semi-deserted coach.

With the experience of New York fresh on his mind the visiting American was about to lunge for the emergency cord when one of the teenagers spoke out in faltering English: "May we speak with you to practise our English."

The story is probably apocryphal but it certainly illustrates why Japan can boast of the safest, cleanest and most efficient urban transport system in the world.

It also demonstrates why Japan's low rate of crime is now the envy of other industrialized democracies.

Tokyo is surely the world's safest industrialized city of its size and the police attribute Japan's low rate of crime to values which are often held up to mockery in the West: Strong family ties, strict adherence to ethical law and work and a harmonious relationship between police and public.

Indiscriminate attacks by teenage gangs are virtually unknown. In Tokyo, muggings accounted for one murder, 111 injuries and five cases of rape in the streets last year. This represents an 8 per cent decline in the rate of violent crimes on the streets of the capital.

Last year five people were murdered and another 34 were injured in their homes by robbers in Tokyo, a city with a population of 12 million. In all, there were 1,300 robberies, 195 murders, 416 robberies, 301 cases of arson and 388 cases of rape.

However, senior officers at Tokyo's metropolitan police headquarters were worried by a rise in the incidence of non-violent crime and juvenile offences. Such concerns must certainly be the envy of police in Europe and the United States.

For instance Tokyo police are worried that robberies at bank post offices and saving co-operatives rose from 11 to 17 cases in the capital last year.

A mere 68 bank robberies were reported throughout the entire country in 1978—figures which are low by any standards. Last year Japan, with a population of 112 million, recorded 115 robberies at banks and other financial institutions.

Police officers in Tokyo are bewildered when they read reports of how juvenile gangs destroy public property or attack pedestrians in London streets and subways.

"We do not have to deal with that sort of thing here. We do have gangs of hot-rodders and they are certainly a nuisance because they create a noise. They might fight each other but they do not attack the public," a police spokesman said.

Man accused of Gandhi attack is granted bail

From Our Own Correspondent
Delhi, May 5

A Delhi magistrate today freed on bail Ram Lalwani, the man accused of attempting to assassinate Mrs Indira Gandhi, the Prime Minister, in a knife attack on April 14. The magistrate also criticized the police.

Remarking that the 37-year-old textile worker from Baroda had not seemed to have intended any attempt on Mrs Gandhi's life or even know how to throw a knife, Mr S. M. Agarwal, the magistrate, said: "The police seem to have overreacted and overplayed the part assigned to them."

The remark was critically directed at Mr P. S. Bhinder, the Delhi police chief, who took charge of the investigations. He was appointed shortly after Mrs Gandhi's return to power. The evening of the alleged incident that Mr Lalwani had made a "full confession".

Mr Lalwani, who has been in hospital since his arrest, was freed on bail of 5,000 rupees (about £280) and a surety of the same amount. He remains in hospital.

Socialists shun vote for Greek presidency

From Mario Modiano
Athens, May 5

Mr Constantine Karamanlis, the Prime Minister, was elected President of Greece until 1985 by parliament today. He will succeed President Constantine Tsatsos, whose five-year term ends next month.

Mr Karamanlis received 183 votes, three more than the three-fifths majority required in today's final ballot. There were also 12 blank votes while ten other votes went to four nominal candidates.

The 93 deputies of the Panhellenic Socialist Movement (Pasek), the main opposition party, again refused to vote because they feel the present chamber, elected in 1977, no longer reflects the will of the Greek electorate.

Today's vote proved that the smaller opposition parties were ready to take the risk of political extinction in a premature election (had Mr Karamanlis not been elected) rather than lose face by supporting the Government's candidate.

Assam students relent on oil products embargo

From Richard Wigg
Delhi, May 5

In a further display of their hold over local sentiment, Assam's student leaders today permitted petroleum products stocked at the Indian State Oil Corporation's headquarters in Gauhati to be moved to meet shortages in the north-eastern region.

Mrs Indira Gandhi's Government last month took charge of the Gauhati oil installations but no crude could flow or petroleum products be moved even after troops were sent in because the oil workers and engineers obeyed boycott instructions from the Assamese student leaders. Many of those involved have since been arrested and moved to Bihar jails.

The students, who have led eight months of agitation against immigrants settled in Assam, defiantly told the Government today that if any lorries carrying the products were being secretly diverted anywhere out of the north-east region, everything would once more be stopped.

The students have demanded that 100,000 immigrants of West Bengal, Bangladesh and Nepal who have settled in Assam over the past three decades.

Today they begin a movement by volunteer sympathizers to court arrest. This is to last for five days and is meant to embarrass the authorities with a great number of detainees.

Mr Zail Singh, India's Minister of Home Affairs, has reverted to a more conciliatory tone after Mrs Gandhi's attack on the Assamese agitation at the weekend when she refused to release the detained leaders for fresh talks.

Mr Singh said today the main stumbling block was the students' refusal to make a start with the expulsion of those who arrived illegally from 1971 onwards. If they dropped their unrealistic demand for the expulsion of all who arrived since 1951, he implied, a solution could yet be found.

Fashion

by

Prudence Glynn



The Times special offer

If the test of a good restaurant is that people choose to eat there on their own, not to show off to others or because the bill works out at less than the prices at the only late-opening grocery in the neighbourhood multiplied by the cooking bill and the account for overall fatigue, then the test of a good garment is that you wonder how on earth you ever lived without it.

That is the way I feel about my last special offer dress, the pure wool crepe shift of infinite potential. I have it in navy—please don't all write in and complain that you haven't yet got yours. Devout on recommendations to readers, I experiment with the samples. Thus I can say that navy should be bought only by those very dark or truly fair. My own hair being at that moment a shade of *souris de campagne* mort it behaved me to re-bond at high speed (Calrol Nice and easy; dreads! name reliable suits). All of you of course can have wicked scarlet or submissive grey—very pretty teamed with scarlet or navy.

The only snag I found about the dress was that it was, for a person of commanding height, a bit straight laced. I therefore slit the left hand side seam to a distance of one foot; the less leg-minded might try six inches, if interested in a theory that every three inches taken off a year off the age of the dress.

You will need a pretty scarf, which should be black basically but have a neat multicoloured motif on the ends so that the rainbow includes the navy of the dress. Anyway, that is what got me through the American Collections last week.

Today I offer up my next essential wardrobe success, the neat, flattering, camisole dress in the new, long-line jacket. I decided on a sophisticated print, little sort of tulips

on a dark ground, and here again you have a transitional frock. In summer for Ascot, lunch, cocktails, dinner in the colder weather an ideal short evening dress (very much back in vogue). On the subject of length by the way, this dress has an elasticated waist which means that you can hike it up, pull it down, in fact wear it any length you like. No need to get out your scissors—this one already has a side slit.

You ought however to wear it high under the armpits. Here again it's a question of age. Teeny youngsters can show that triangle of flesh above the breast and at the top of the arm, so they can pull the dress down. But it is specifically designed to be pretty for those who note, probably without much concern, but do note, a small pad in both areas.

Those who care will adopt the Mensendieck recuperative method, which is the only exercise programme advocated by this page. Stand erect, shoulders back, meet your two hands on your back, back to back. Then slit with the hands turned upwards flap and flap your wrist and arm vigorously, thirty times. It is salutary to use a mirror for exercises because you can actually see in Mensendieck methods the effect on your muscles.

To order, please complete coupon in block letters. Offer applies to the United Kingdom only. National delivery within 28 days of receipt of order. Money refunded if returned within 7 days of receipt. Queries, not orders on 01-434 3751. Selective Marketplace Limited, 16 Golden Square, London W1R 4BN.

Photograph by Richard Dornier. Hair by Anita of Michaeljohn. Hat by Philip Somerville £28.95, bag £25, gloves £1.95 from Fenwick. Shoes by John G. Sachs £16.95. Jewellery from Fenwick.



Send to: Times Dress & Jacket Offer, Selective Marketplace Limited, 16 Golden Square, London W1R 4BN.

Please send me £..... Dress and Jacket(s) @ £32.50 each, including postage and packing. Please indicate size(s) by completing appropriate boxes below.

	Size	Bust/Hip
1	10	32/34
2	12	34/36
3	14	36/38
4	16	38/40
5	18	40/42

My cheque for £..... made payable to Selective Marketplace Limited is enclosed. Please write name and address on reverse of cheque.

Please debit my Access/Barclaycard No.

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Jewellery from Fenwick.

This being a practical page today I present a most practical range of clothing, that of Reldan. The redoubtable chairman of the company, Cyril Kern has rightly pointed out that gloom and doom are too much with us in the fashion scene. Reldan, far from contracting, have expanded their production facilities at a time when so many are cutting back, if not cutting corners.

"In the past five years", reports Mr Kern, "we have followed an active market policy." This policy takes close note of what the woman in the street wants to wear and what she wants to pay for what she wears. Quality is high and the design unlikely to frighten the horses, although Victor Herbert has generated some sparks in a special section of the range.

Reldan is the "leading manufacturer of co-ordinates" (those invaluable bits and bobs you can marry up together on a morning when everything in the cupboard looks bare) and is splendidly colour related. For late summer and autumn.

Drawing by Paul Peacock



Above left: The jersey dress with implications of the coming mini but none of the horrors of having to reveal your knees. Knitted shawl collar. Above right: New length jacket, placket front blouse, classic trousers. All from Reldan's Autumn 1980 range. Stockists: Barkers, Selfridges, Dickens and Jones, Harvey Nichols, Fenwick, Bourns and Hollingsworth, Top Shop at Peter Robinson.

a work of art



Stuart Crystal
Available from leading retailers

Bernard Levin and the Transport Workers' £5,000 for the Morning Star

Selling out democracy without knowing it

The decision by the executive of the Transport and General Workers' Union to give £5,000 of other people's money—to wit, their members'—to the Communist Party, which money will be used in furtherance of the work of destroying the trades union movement, the Labour Party and Britain (not necessarily in that order) has a certain charm; or not, of course, as the case may be. (The excuse, which I would have thought was too ludicrous even for Mr. Moss Evans, was that the money was not given to the Communist Party itself, but to its newspaper, the *Morning Star*. Once again, I am reminded of Sir John's Tribulation Wholesome, who is most disturbed at the suggestion that he should participate in the production of counterfeit money, since coining is a grave sin. On being assured, however, that what is proposed is designated as money rather than coining it, his conscience is satisfied and he looks forward eagerly to the profits.)

It has been widely forgotten that the TGWU used to have a rule which prohibited members of the Communist Party from standing for high office in its ranks. I am not sure that this rule for a union to have; surely it is better to let them stand for office but ensure that they are defeated by democrats. Of course, there was the danger that if the Communist Party were captured by a majority among those with the constitutional authority to control policy and the rules, the members could never get their union back as the CP would institute ballot-rigging and

other criminalities to try to ensure that their hold was never broken; that is what happened, of course, in the case of the ETU. Anyway, the argument, whichever side of it appeals to you, is now irrelevant, because the ban was raised some years ago.

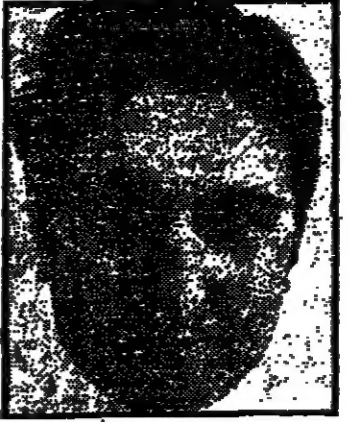
The obvious conclusion, however, is the wrong one: the TGWU has not fallen under the control of the CP. There are members of the party in its upper reaches, together with the usual sprinkling of fellow-travellers; but control is not in their hands. Nor is Moss Evans himself even a fellow-traveller, let alone a CP member, public or covert. He is something rather more dangerous than either: to wit, a man of no imagination and very little sense. When, a few years ago, he called for the press to be licensed (Mr. Scargill has since gone further, and called for the press to be nationalized), he was, it speedily became clear, genuinely surprised and hurt by the widespread adverse comment his proposal aroused; it really seemed not to have occurred to him that even the partial suppression of free speech might be thought undesirable. It is not yet known whether Mr. Evans himself was originally in favour of the decision to give £5,000 of his members' subscription money to the enemies of democracy and of the TGWU, though he has since defended it, but if he was not, I wonder that this opposition was based on grounds of tactics, constitutional proprieties (the money must not, for instance, come out of the political levy, as the use of that is strictly confined to the purposes of the Labour Party)



Mr. Moss Evans: no imagination.



Mr. William Rodgers: brave criticism.



Mr. Frank Chapple: portrayed as traitor.

and expense; the thought that the gift was an outrage, and a particularly shameful one at that would not, I feel sure, have crossed his mind.

I don't imagine that most of the members of the TGWU would be very glad to know that their money is going to help finance their and our enemies; one cannot be sure, of course (though one can be sure that Mr. Evans is not going to ask them, by means, say, of a referendum, of the union's membership). But you might think that those who took the decision would at any rate have noticed that there was a rather important political question involved, irrespective of the members' wishes, and that the undesirability of a union affiliated to the Labour Party, and playing a very large part indeed in the determination of its policy, leadership and electoral chances, giving money to those who, among

other activities, put up candidates at election-time against Labour Party ones. Even if the TGWU leadership can persuade themselves that the CP is really part of the democratic spectrum, it can hardly get round the fact that it is engaged in fighting the Labour Party at both national and local political levels.

Of course, I think that there are more important principles than that in this business, but I am trying to put the case as it might have presented itself, but apparently did not, to those who actually believe that the CP is not fundamentally different from other parties, and its newspaper therefore the voice of a democratic organization.

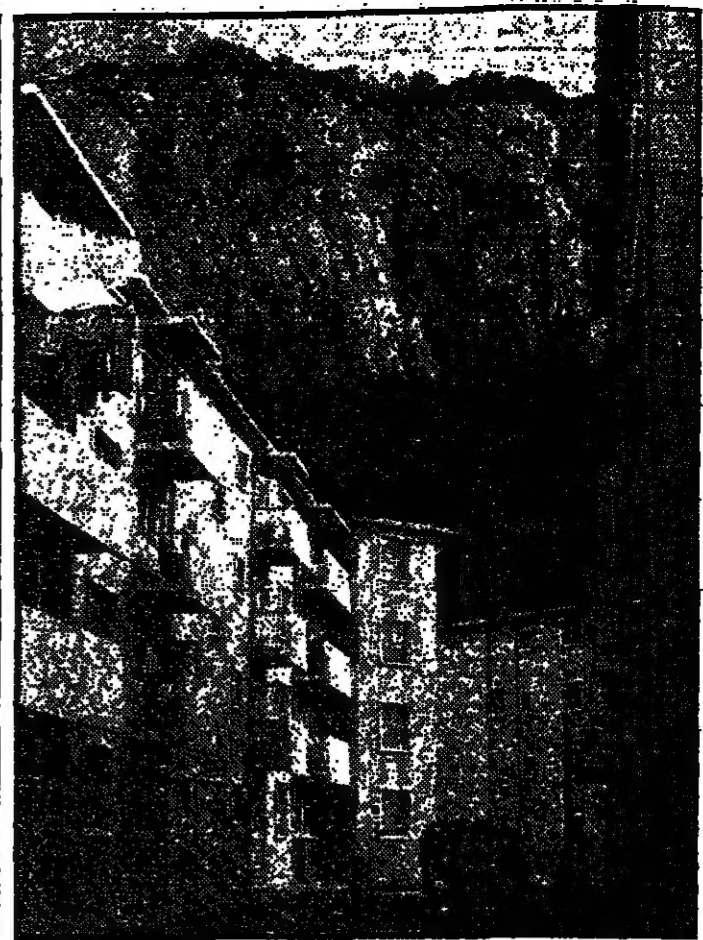
And yet those more important principles are indeed more important. The grubbiness of so much of the present relations between the trades union

movement and its enemies on the left would have been a matter of real shame for men like Bill Carron, Tom Williamson, Jack Tanner and others of an earlier generation of union leaders. The change since their day has been so complete that there is now only one leader of a powerful union who consistently and unequivocally speaks out on the subject, and he—Frank Chapple—is widely portrayed as a traitor to the union movement for doing so.

That previous state of affairs, and the contrast it presents with the present one, illuminates the greatest principle at the heart of this affair: it is not that too many trade union leaders forget that their members' subscriptions are given into their charge for the furtherance of the work of improving those members' conditions and prospects, and for no other purpose. It is not that this decision betrays all those

TGWU leaders who fought for their members' wider interests in keeping Britain democratic as well as for their narrower material betterment. It is not that the tyranny which the CP and its newspaper serve becomes more threatening and more dangerous almost daily. No, the real crime of the TGWU leaders lies in the fact that by this action they have further eroded the absolutely vital distinction—literally vital, because necessary to the maintenance of democratic life—between free political systems, whether of left or right, and totalitarianism. And they have done so, I repeat, not because they are themselves infected with totalitarianism but because they are, to put it plainly and offensively, too stupid to see the point.

A few brave Labour MPs have criticized the action: William Rodgers, Ben Ford, John Cartwright, Neville Sandelson, Bruce Douglas-Mann. Mr. Callaghan has said nothing, naturally; the NEC will certainly not condemn the TGWU's action, and indeed is quite capable of enthusiastically endorsing it; angry members of the union itself will probably, and understandably, think it wise to keep their feelings unexpressed, for fear of being arraigned for lese-majesty. The whole thing will blow over quite soon. But the money will not be given back, and Mr. Moss Evans will still not get the point. And Britain will be £5,000 nearer the extinction of her democracy, and the Labour Party and trades union movement a great deal nearer the extinction of theirs.



Gibraltar: a cold wind as the gates open.

Why Gibraltar prefers the siege life

The worried, even angry, reaction of some Gibraltarians to the news that their frontier will reopen is as incomprehensible to the British who "own"

likewise go to Brussels. The loss would be £3.6m out of an entire annual revenue of less than £27m. The effect would be devastating.

Then, after accession, Spanish citizens will have the right to work on Gibraltar. The old restrictions on Spanish entry will be illegal. A planned economic and demographic invasion of the colony would be possible. Gibraltarians fear, and under European law have the right to demand, that a group of Spanish patriots with strong feelings on the issue would be able to buy the colony back from Britain bit by bit.

For the Gibraltarians, thoroughly disorganized by two decades of the most cruel treatment at the hands of their big neighbour, it is not merely a question of a flag or a passport, although these feelings too run deep. They see no practical benefit in joining Andalusia, often described as Spain's "third world", with its high crime rate and unemployment. They observe these birth pangs of Spanish democracy on their television and compare them with their own cramped but secure way of life. At the moment there are more jobs in Gibraltar than there are people to fill them, but trade union leader Joe Bossano, for instance, who opposes the very idea of bilateral talks on Gibraltar's future, cannot see full employment surviving the end of the blockade and the introduction of free movement of labour.

The anomaly of Gibraltar's position as the only legally established colony in Europe will therefore continue. In 1973, on the eve of the Franco-German summit, Spanish leaders now admit, handed the issue wrongly. They tried to batter the people of the Rock into submission. And they failed. The only result has been to make them deeply suspicious of the Spanish in particular, and of any discussion anywhere about their eventual future.

This is why, when Lord Carrington and Mr. Marcelino Oreja reached sudden agreement in London on April 19, many of their first reactions were negative, or at least apprehensive. And while most are resigned to facing the cold wind that will blow as the gates are opened—the alternative of perpetual self-imposed isolation—they will still not be ready to discuss a further radical change, the eventual ending of their equally "anomalous" status in the European Community.

The people of Gibraltar has withstood yet another siege. Its small but determined people now need time to consider what the change will mean and then consider their future.

Nicholas Bethell

The district elections: why there's no euphoria on either side

That Labour should have made substantial gains in Thursday's district elections was no surprise. Local elections usually record a swing against the party in office, and these were the first under the new Conservative Government.

Moreover, the majority of seats at stake were last contested in 1975, when Conservatives made widespread gains in normally safe Labour areas. It would have been little short of miraculous had such areas not reverted to type.

The interesting question, therefore, is not why Labour did well, but how well it in fact did. Is there something in the claims of Lord Thorpecroft and Mr. Haseldine that Conservatives succeeded in "limiting the damage"?

The answer entirely depends on one's benchmark for comparison and none is ideal. Compared with 1973, the last occasion on which local elections were held under a Conservative government, the Conservatives' share of the two-party vote was a little worse (see Table 1) but these comparisons are confined to the large cities of the North which, relative to the rest of the country, have gradually gravitated towards Labour.

The more obvious comparison is with 1974, when the general and local elections were held on the same day. This reveals a substantial but not landslide two-party swing of 6 to 7 per cent, a fraction below the suggested by recent polls. Repeated at a general election it would give Labour the kind of parliamentary majority the Conservatives have now.

The regional pattern to the swing reversed that of the general election. Labour appears to have recovered most ground (in terms of votes rather than seats) in precisely those areas which most helped Mrs Thatcher to her general election victory. The swing was six to seven per cent in the south (but over 11 per cent in Basildon, a

There is some consolation for the Tories, some unease for Labour

surprise Labour loss in May 1979) and seven to eight per cent in the West Midlands, but down to almost nothing in Bradford and Newcastle. The North West, however, maintained its relatively pro-Labour mood of 1979 and, apart from Liverpool, moved strongly to Labour. In Manchester only four of 33 wards were won by the Conservatives.

A more telling test of the Government's standing is how it compares with Mr. Heath's after a similar period in office. In the 1971 local elections, 11 months into the Heath administration, Labour recorded its best results since 1945. Table 2 compares the 1970-71 and 1979-80 swings and suggests that although the Conservatives lost many seats, the swing was not as large as it might have been. This time (not least because before reorganization there were more seats and districts at stake) the swing of votes against them was nearly 10 per cent, a heavy blow.

But the economy is in much poorer shape now than in 1971, (in terms of votes rather than seats) more difficult electoral base from which to climb back than 1979: for these reasons, it could be argued, this year's swing to Labour should have exceeded even that of 1971. To

that extent there is some consolation for the Conservatives, and some cause for unease for Labour.

The results make mixed reading for the Liberals. Conditions were perfect for Liberal gains, perhaps right for a breakthrough: they could hardly incur losses of seats last contested in 1976, a dismal year for them, and anyway tend to fare better under Conservative than Labour governments. In the event they made 74 net gains, captured Adur and Hereford councils, improved their already strong position in Liverpool, and made substantial gains in some seaside resorts and small towns.

But overall their advance was modest and localized, and partly offset by retreats elsewhere. Compared with 1979 their vote slipped a few per cent in Cambridge, Rochdale and Stockport (which includes the once-Liberal seats of Cheshire and Hazel Grove). Where exact comparisons with 1979 are possible (Table 3) the picture is of a Liberal standstill, and of Labour benefitting from disaffection with the Government.

This is out of line with the 2 to 3 per cent rise in the Liberal vote suggested by recent polls, and the larger rises recorded in the three by-elections (9.2 per cent on average). Liberals have reasons to feel disappointed, even puzzled.

Scotland saw a repeat of the Nationalists' general election slump. They lost the four districts they had controlled, and saw 103 of their 170 councillors defeated including all 16 in Glasgow. Unlike 1979 however, when most of their parliamentary seats, being rural, reverted to the Conservatives, most of their lost local seats, being urban, reverted to Labour.

Once again precise interpretations depend on baselines. The Scottish seats were last contested in 1977 when Labour's stock was excep-

Table I
Conservative share of the two party vote in selected districts 1973-1980

	1973	1974	1976	1979	1980	Change 79-80	Change 74-80
Bolton	51.2	46.7	61.5	51.3	45.1	-6.2	-1.8
Bradford	54.0	40.8	58.6	48.2	47.8	-1.4	-7.2
Leeds	50.8	38.8	58.9	48.3	44.4	-3.9	-5.6
Liverpool	43.4	37.8	49.5	42.8	44.9	+2.1	+7.1
Manchester	49.3	37.3	51.7	42.1	35.6	-6.5	-1.7
Newcastle	43.8	36.7	50.0	43.8	44.4	+0.6	+7.7
Stockport	63.5	-	70.1	63.0	56.6	-6.4	-
Wirral	57.1	-	66.8	57.1	53.4	-3.7	-
Birmingham	49.7	41.7	60.8	52.4	44.9	-7.5	+3.2
Sandwell	38.4	32.6	51.1	46.1	38.5	-7.6	+5.9
Cambridge	-	53.4	55.9	49.5	47.2	-2.3	-
Basildon	-	41.7	56.2	54.5	43.2	-11.3	+1.5
GloUCESTER	-	54.2	61.4	58.8	49.3	-7.3	-4.7
Gillingham	-	55.9	68.0	63.2	56.4	-6.8	+0.5
Reigate & Banstead	-	55.4	65.4	70.2	63.6	-6.6	-
Watford	-	44.2	55.8	52.8	47.8	-5.0	+3.6

Metropolitan district elections only.
October 1974 General Election.
District council elections.
Boundary differences preclude comparisons of Parliamentary and local election figures.

Table IV
Changes in shares of the three party vote in districts where candidates contested all seats, 1979-80

district	swing from SNP to Labour 1977-80	swing from SNP to Labour 1974-80	swing from Con to Lab 1977-80	swing from Con to Lab 1974-80
Glasgow	10.4	3.5	13.3	7.0
east Kilbride	20.1	11.2	13.3	6.0
Hamilton	20.6	15.6	3.7	0.8
west Lothian	5.9	1.0	***	***
Falkirk	18.7	6.9	***	***
Cumbernauld	12.7	10.4	***	***
North Ayr	12.1	11.2	***	***
Edinburgh	***	***	8.3	1.3
Aberdeen	***	***	4.2	-0.2
Kyle and Carrick	***	***	9.1	6.9

*** swing cannot be calculated.

tionally low and the SNPs exceptionally high. So double digit swings from SNP to Labour look dramatic (see Table 4) but largely record Labour's recovery from abnormal unpopularity.

Largely, but not wholly, for comparison with the 1974 district elections reveals, that Labour pushed the SNP advances back to pre-1974 positions. In Glasgow, Cumbernauld, east Kilbride and Hamilton—all strong Nationalist areas in the 1970s—the SNP polled at least 10 per cent below Labour and 10 per cent above the 1974 levels. The SNP cannot be written off—they still have more councillors than in 1974—but there is no hiding that opponents of Labour dominance in Scotland stayed

very poorly. The National

Table II
Swings against the Conservatives 1971 and 1980

	1970-71	1979-80
Bolton	-6.9	-6.2
Leeds	-6.8	-3.9
Manchester	-6.9	-6.2
Birmingham	-8.9	-7.9
Gillingham	-6.4	-5.8
Watford	-7.8	-6.4

Figures show differences between the Conservative share of the two party vote in the general election of June 1970 and the municipal elections in May 1971, and between the district council elections of May 1979 and 1980. These marked with an asterisk compare 1970 general election vote with 1980 district election figures.

Table III
Changes in shares of the three party vote in districts where candidates contested all seats, 1979-80

	Con	Lab	Lib
Liverpool	-1	-4.3	+5.3
Stockport	-3.8	+3.5	+1.7
Cambridge	+0.6	+4.3	-4.9
Gillingham	-7.8	+4.1	+3.6
GloUCESTER	-5.3	+8.5	-1.2
Watford	-3.9	+5.0	-1.0

Front put up only a few candidates, even in districts of former strength such as Sandwell and Rochdale and consistently came bottom of the poll. Conservatives were equally short of candidates and votes. The Ecologists made no headway from last year: their main impact was to reduce the Liberal vote where they stood. The Democratic Labour Party failed to win a single seat in Lincoln, a council it briefly controlled a few years ago, and must now be regarded as both down and out.

Food for thought for Mr Jenkins?

Ivor Crewe

The author is director of the SSRC Surrey Archive and co-director of the British Election Study, University of Essex.

LONDON DIARY

Sir Winston and the game of Doodlebug bluff

Did Churchill plan to sacrifice south-east London to the flying bombs in order to save Whitehall, when the Germans' secret weapon began to rain down on London in 1944? And were Bromley, Orpington and adjoining suburbs saved from devastation by the intervention of Herbert Morrison? Some new light has been shed on this murky corner of wartime history by Charles Cruickshank, writing in the current issue of *War Monthly*.

What is certain is that Churchill came close to panicking when the first Doodlebugs began to drop accurately on central London that summer. First he wanted to use poison gas in retaliation, then he considered obliterating one small German town by saturation bombing for every day that the rocket raids continued. Eventually he decided to use double agents to channel the false information back to the Nazi command. That the bombs were overshooting central London: his hope was that the rocketeers would then shorten their range and devastate

civilians in their homes rather than the Government in Whitehall and key war production factories.

What has always been assumed, particularly following the publication of R. V. Jones's book, *Most Secret War*, is that the decision was taken to feed misleading information to the War Cabinet minutes because it was too secret. But Cruickshank, a retired Foreign Office man and war historian, has now sifted through the Cabinet papers in the Public Record Office, and found that the plan was overruled, thanks to the intervention of Morrison, then Minister of Home Security.

Cruickshank writes: "He (Morrison) was not interested in the chief of staff's claim that it would benefit the war effort to encourage the German's to drop their bombs short, or the fact that it would save many lives... but he said quite unequivocally that he was afraid of the politically damaging consequences if it ever came out that the War Cabinet had attempted to intervene."

Whatever his motives were, many thousands in south-east London are alive today thanks to the intervention of Morrison. And, as Cruick-

shank concludes, many thousands more in central London are not.

Whale success?

The remaining hurdle that prevents the save-the-whale campaign of Greenpeace and Friends of the Earth from being a total success in Britain, and other EEC countries, could soon be cleared. It depends on passing the use of sperm oil. Michael Haseldine, the environment secretary, has declared his support for prohibition, but rather than take unilateral action his Ministry officials are cooperating in a unified scheme for the Community as a whole. One of the major snags in any such legislation, that of monitoring the results, will no longer pose any difficulty.

The main use for sperm oil nowadays is to soften leather for fashionable gloves, handbags and shoes. For the past two years, the Somerset shoe firm, has quietly been testing all the hides it buys, and rejecting all those processed with sperm oil. In recent months it has continued the testing as an experimental monitoring service for the Government: not only can Cruickshank spot a sperm-treated hide at 50 paces, it reckons the natural

product no longer has the slightest advantage over the environmentally more desirable synthetic oils.

Good news for whales, but alas not so for whalers. Last winter, according to Greenpeace, the Soviet fleet caught 906 killer whales, a species previously regarded too small to bother with. The catch is three times greater than any previous Soviet haul of that species.

Leeds castle wine

Peter Walker, the agriculture minister, travels to Kent today to officiate at the replanting of one of the oldest known English vineyards. In spite of Mr Walker's recent troubles getting English lamb across the Channel, he is much less intended as the opening shot in a retaliatory trade war with an adjacent major wine producing country.

The vineyard, at Leeds Castle, was first recorded in the Domesday Survey of 1086, and at frequent intervals in the ensuing centuries, but was grubbed up long ago, during the past two weeks Castle gardeners have been busy replanting the historic vineyard field with two acres of German Müller-Thurgau vines, chosen for their success at similar latitudes on the Continent.

Given reasonable weather between now and their maturity in 1982, the 3,000 vines should produce 4,000 litres of grapes, which will in turn fill 4,000 bottles with a light and delicate hock-style wine. If the product is good, some small credit can be claimed by British Steel, who provided several tons of basic slag from Corby to fertilize the ground, along with sulphate of potash and Derbyshire magnesium limestone.

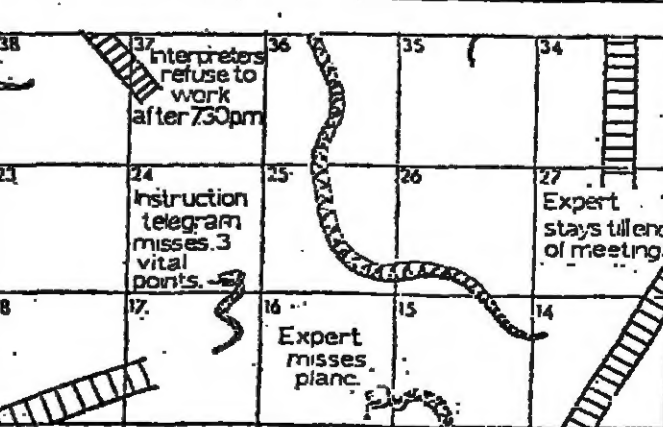
The deep ploughing—to nearly 12in—is of prime importance, as once the vines are planted it cannot be done again. Expertise has been provided by another Kent vineyard, at Lambhurst Priory, where the grapes will be pressed.

I hope that when the time comes the Leeds Castle Trustees will be able to export at least a proportion of their output across the Channel, provided the French let it in.

Snakes or ladders

I have heard often enough the inner workings of the EEC Commission described as a jungle and a maze, but this is the first time I have seen them viewed as a game of snakes and ladders.

The accompanying chart, of



which I reproduce only a portion, has been drawn up by civil servants in London and Brussels who have to deal with the nuts and bolts of proposed rulings handed down from the Commission, to illustrate the hardships, trials and snares that arise in the bureaucratic machinery.

A little explanation is necessary. "Corridor", which figures on both snakes and ladders, is the Committee of Permanent Representatives of Governments in Brussels: this is the body of diplomats which thrashes things out in advance

of ministerial meetings. A ladder when the interpreters refuse to work after 7.30 means that tedious discussions are cut short and officials can get on with the real work. Similarly, a ladder from an empty typing pool indicates that the civil servants can quietly ignore some of the mass of documents which even the most minor proposal generates.

In view of recent events, the board may have to be redrawn to incorporate a giant python snaking all the way from "Mrs Thatcher will not pay her bill" right back to square one.

Siege zoo

Even a siege has its lighter side, both for the massed forces of the world's press and for the Scotland Yard police spokesman who have had a somewhat tetchy relationship at times during the five-day vigil outside the Iranian Embassy.

The police are reluctant to release anything but the barest details of their negotiations with the gunmen. But in the small hours of yesterday morning, a police spokeswoman was only too delighted to assure an earnest foreign reporter that all was well with the jerrills, hamsters, goldfish and even, apparently, a duck that is carefully hatching its eggs, and who have all been unwittingly caught up in the drama.

The animals belong to children at the nursery and infants' school that police have taken over as part of their operation.

A firm of London solicitors, Hui and Co, which does work for the Chinese community, recently took on a new partner, Mr Ko. The business is now known as Hui and Ko.

Alan Haindon

مكتبة من الأص

EUROPA

EEC should now consider advice of 'wise men'

continued from previous page

modus vivendi the Community has changed and is probably making ready for further changes.

Thus the important question of the central role assigned to the Commission in the running of the Community is once again a key issue. It is in principle an independent body whose function is to make proposals, to suggest new directions to the member states, but this role has gradually been denatured. While drawing inspiration from time to time from the Council, it has been gradually changed into a mere secretariat carrying out instructions. This development is highlighted by the fact that between Council meetings, Strasbourg rather than Brussels has become the main centre of day-to-day news about Community life. The members of the Commission have lost a little more of their intimacy and authority with the media to the directly-elected MEPs.

Is this a good or bad trend? Many members of the European fraternity believe that it is, anyway, irreversible and that if it is to be accepted that the Commission is destined to become a sort of technocratic executive, then it should at least be made up of highly competent individuals, which has not always been so.

The choice in June of the new president will be revealing from this viewpoint. To begin with, depending on whether he is a leading politician or a senior administrator it will be deduced whether he is likely to play a more political or merely technical role.

For the time being, Mr. Guindach is the only known candidate officially supported by his government. Mr. Joseph Thorne's name is mentioned often by observers, not least because he is from Luxembourg, one of the six founder members, and this is not without significance at a time when a tenth member is about to join. His country has never held the presidency of the Commission and he himself lost the presidency of the European Parliament last year (but he would not be a popular choice).

President Giscard d'Estaing after their difference of opinion over Radio Luxembourg.

Another name put forward is that of Mr. Blaesnevel, the former Dutch Prime Minister and Minister of Agriculture, one of the "three wise men" who were called upon last year to make suggestions on the new balance between the European institutions.

Will the new president follow Mr. Jenkins's example and tour Europe's capitals to state his views on the composition of the Commission? (Mr. Jenkins, it seems, had not wanted to work with Herr Haferkamp, but had to accept him.)

The members of the outgoing Commission are to a greater or lesser extent political appointments who, with

the two exceptions of M. Claude Cheysson and Viscount Etienne Davignon, are often criticized as being neither great politicians nor outstanding technical experts. Moreover, it is claimed, Viscount Davignon has been successful in his role as commissioner responsible for industrial affairs, not so much because he was particularly qualified for the job, but because he has shown previously unrevealed gifts in rising to the challenge. Should similar experiments be tried with the next appointments or is the right approach to opt resolutely for the best experts in the fields covered by the Commission?

At present it is not even certain that the seats will be shared out among member states on the traditional lines. The big countries, especially France, do not seem to have taken very kindly to the suggestion that they might reduce their representation from two seats to one when the Community is enlarged to take in new member states. The European Parliament, for its part, last month passed a motion on a report by M. Jean Rey demanding the right to be consulted on the renewal of the presidency and in the case of a vote of investiture and confidence on the next Commission; it also demands the right to vote on all proposals for decisions before they are submitted by the Council by the Commission.

However, as Mme Simone Weil has remarked to us, "the European Parliament must not end up by obstructing the work of the EEC because it is so imbued with Community spirit that it makes too many demands on matters of principle."

The fact remains that the Council's present role far exceeds its terms of reference and an important consequence of this is that matters which should come before the Parliament are by-passed. The mushrooming of "advisory committees"—pressure groups or even decision-making groups—around the Council is deplored by both the Commission and the Parliament.

Will the Council act on the suggestion made by some "wise men" and create a post for a minister to assist its president and report to the parliament? (The latter would welcome such a move, but there is little support for the idea elsewhere.) Will each of the national governments appoint a minister for Europe? Some of the institutional devices now being proposed or nearing adoption may be of more obvious usefulness than others, but the one certain thing is that it is a time when tension seems to be running high in the Community that proposed changes will take fuller account of specific national circumstances than of the ideals of the Treaty of Rome. Is this not the whole more constructive politically?

Jacqueline Grapin

Facts and figures

Still a question mark over economy

After the big rises in prices and interest rates during the first months of 1980, some relief may now be on the way. The curve representing average inflation in the four Europe countries, at nearly 19 per cent, seems to be approaching its peak. Interest rates too are levelling off, or even easing slightly as in France, and the cut in prime rate from 20 per cent to 19.5 per cent and even 19 per cent by several large American banks has led to a fall in the dollar and has taken the pressure off other currencies.

The outstanding recent development in the United States is the increasing evidence that the growth rate is running down. Retail sales and industrial production both fell during March, by 1.3 per cent and 0.8 per cent respectively. For the first time there has been a drop in capacity use, from 83.9 per cent to 83 per cent, while unemployment has risen from 6 per cent to 6.2 per cent.

After last year's ups and downs, does the first quarter of 1980 mark a real turning point for the American economy? The monthly survey of the chief buyers' association shows that whereas the respondents were still firmly convinced in February that the business climate had improved, they came to decidedly different conclusions in March: dwindling orders led to deepening pessimism. Nevertheless, they still do not expect any slowing down in the pace of inflation.

For their part the authorities—as represented by Mr. William Cox of the Trade Department, for instance, are admitting that the turning point has been reached and that the American economy is entering

a small recession, which they expect to have favourable effects on inflation before long. It is by no means certain, however, that events will bear out their hopes.

Despite the running down of speculative positions in commodities in response to the high cost of credit—witness the example of silver—inflationary pressures may well continue, or even become intensified. Already, contrary to the hopes of Mr. Alfred Kahn, the White House adviser on inflation, oil prices are hardening once again. American wages are trying to catch up with inflation and it is becoming increasingly commonplace for increases to be made of more than 10 per cent, often with indexation, in spite of President Carter's recommended norms.

Another danger is that in the present electoral climate the Government may be tempted to abandon its programme and go in for heavy borrowing to bolster the two most threatened industries: the motor industry, which has not seen an increase in sales this spring (on the contrary it was 24 per cent down for the first 10 days in April), and the building industry in which the number of houses begun has dropped by 22 per cent.

Whatever the eventual outcome, European governments are relieved to see that American interest rates are coming down slightly in conjunction with the slackening of activity. The West German authorities in particular are able to breathe a little easier.

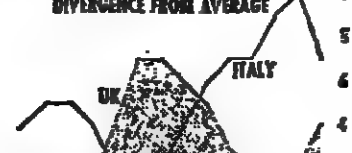
The Federal Bank was in a particularly difficult situation, with the Deutsche mark handicapped by the combination of low rates and a forecast deficit

PRICES

Consumer price index



Difference from average



Prices: The average inflation rate for the four Europe countries was almost unchanged between February and March at the high level of 11.75 per cent. The national rate was the same in West Germany (19 per cent) and more than 17 per cent in France, rose further in Britain from 20 per cent to 23 per cent, but fell in Italy from 23 per cent to 26 per cent. These rates are calculated on the basis of the past three months and expressed as annual rates. The year-on-year rates are 3.5 per cent for West Germany, 13.7 per cent for France, 19.8 per cent for Britain, and 20.3 per cent for Italy.

of DM 30,000m on the current account balance of payments. Rather than raise its discount rate once again (which would have compromised growth without reversing the trend), it preferred to counterbalance the artificial disparity by borrowing abroad. Recent developments in the United States have justified this decision. Thus, with a rising currency, West Germany will be in a better position to combat "im-

FOREIGN TRADE

Cover of imports by exports (calculated fob/cit and seasonally adjusted)



Unemployment: Between February and March seasonally adjusted unemployment as a percentage of the working population continued to rise in Britain from 5.65 per cent to 5.8 per cent, and France (from 6.45 per cent to 6.6 per cent), but was unchanged in West Germany at 3.6 per cent and in Italy at 7.75 per cent.



ported" inflation and to sustain its growth rate, which the graph shows is still fairly strong, for a little longer.

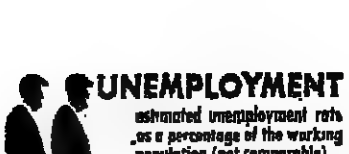
France also is greeting developments in the United States with relief. Although the franc has held up well, it would have come under pressure eventually because of France's relatively low interest rates, and its trade deficit, which has been worsened by the higher cost of imported oil and the rising dollar, reaching almost 15,000 francs in the first quarter of 1980.

Now that the danger has been lessened, the French economy is less poorly placed to absorb the impact of the latest price rises, which have not led to a recession, contrary to several pessimistic forecasts advanced by various bodies, including the INSEE (French national statistical institute). In fact, the French economy is still managing to achieve some slight growth and the Bank of France, after its most recent survey, believes that this could continue into the autumn. An end is in sight, however, as foreboded by the 2.4 per cent volume decrease in household consumption recorded in March.

It is all-important to avoid

UNEMPLOYMENT

estimated unemployment rate as a percentage of the working population (not comparable)



Growth rates: Between January and February the growth rate remained high in West Germany (+1.5 per cent) and Italy (+1.8 per cent), weakened in France (+1.1 per cent) and fell in Britain (-3 per cent).



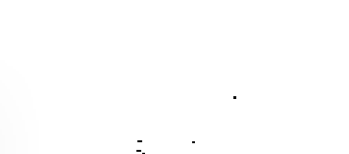
which production will fall by 2.5 per cent. In the medium term does it expect a fall in inflation interest rates and set up the conditions for a recovery in investment and business activity. The Cambridge Group economists consider this policy damaging and impracticable, and are sceptical of the Government's ability to see it through to its conclusion.

Italy's fortunes, like Britain's, depend less on the economic slow-down in the United States than on domestic decisions. Action is needed to halt the Italian economy's runaway stampede, which may be producing a high growth rate (8 per cent), but is also marked by an ever-increasing external deficit and high inflation (although the rate was slightly down in March).

Britain's discipline under the iron hand of Mrs. Thatcher is sharply contrasted with Italy's laxity in the absence of a coherent economic policy. Both countries need to find a middle course, which will carry them through the international hazards in their path. The easier economic conditions in prospect could help them to adjust as long as they actually materialize. This is far from certain, given the persistence of inflationary pressures, not least the paradoxical threat of a further wave of oil price rises at a time when activity and consumption are slowing.

INDUSTRIAL GROWTH

basis: seasonally adjusted index of industrial production excluding the building industry



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Maurice Bommensath

Prices rise though food is scarce

Development aid machinery is inefficient

Conditions in the so-called developing countries are deteriorating relentlessly so that, in most cases, the expression had become a misnomer. Their economies are being eroded by rising import prices, while their food deficit, which was 6 per cent in 1979, is increasing and will reach 8 per cent by 1985. It is clear that development aid from the rich countries is a fundamental factor conditioning the food deficit in the poor countries.

The time has come to say aloud what many people have been saying under their breath: the machinery for development aid in the world is inefficiently allocated by its inefficiency.

The funds allocated to aid are insufficient. The 1978 total was \$77,000m and there has been scarcely any variation in real terms since 1973. The capitalistic industrialized countries allocate a small and decreasing proportion of their gap to aid (0.37 per cent in 1970 and 0.35 per cent in 1979), and the Eastern block a derisory and vagrant 0.04 per cent of gnp.

The oil-producing countries, contrary to general belief, are alone in making substantial efforts: Saudi Arabia 2.32 per cent, and Qatar 2.25 per cent. United Arab Emirates 5.32 per cent, and Qatar 2.25 per cent. There is no justification for this disparity because the wealth of the industrialized countries is much more real than that of the oil-exporting countries. True wealth is constituted first and foremost by human resources and knowledge and then by the underlying industrial base. The oil-producing countries have to hope that before their oil resources run out they will have enabled them to reach the stage of self-sustained development but, until such time as this objective has been attained, they themselves will remain countries whose accession to developed status depends on their success in the acquisition, not of the fruits of knowledge (products), but of knowledge itself (research-development-production).

The multilateral aid systems are expensive to operate. The costs of maintaining the existing institutions are rising much more quickly than the overall budget and there are far too many of these institutions, so that costs are duplicated and this detracts from overall efficiency. We estimate that, as a rough figure, only 30 per cent of the funds allocated to multinational aid is actually used

for development schemes. This is all the more regrettable in that the staff of these organizations are generally highly qualified and their technical skills are not being put to the best use in the present system.

Bilateral aid is beset with similar problems. A considerable proportion, which we estimate at 18 per cent, of all resources is used to finance recipient countries' budget deficits.

The government bodies responsible for development aid often perform the role of keeping public or semi-public research offices occupied by commissioning work of variable usefulness from them. This goes some way towards explaining the sheer volume of reports which are never translated into practical action.

Moreover, this approach militates against the setting-up of authentic research bodies in the recipient countries, which have an essential part to play in planning projects which are genuinely suited to local aspirations and needs.

A substantial proportion of the resources of bilateral co-operation organizations is used to pay the salaries of officials working in sectors whose usefulness is sometimes open to question. This is true of most of the posts in education, which impede the process of Africanization of teaching staff and underpin a type of education which represents a serious threat to the development and internal balance of most of the countries concerned.

It should also be emphasized that bilateral aid is generally associated with purchases of goods and services from the source country, so that the recipient country becomes more dependent and is not free to make choices which really coincide with its own interests.

Finally, too many co-operation organizations exist, which forces the recipient countries to obtain aid from a large number of sources, which makes it impossible to plan how they are to be used. For instance, the time elapsing between the date of acceptance and the date when the money becomes available may be two, three or even four years. However, these criticisms do not apply to the procedures followed by some countries (Belgium and West Germany, for instance), which goes to prove that it is still possible to be efficient in this field.

Aid from the industrialized countries generally promotes models and methods which are

often prove unsuitable. A typical example is the case of the Sahel region in Africa.

The largest item in the budgets of recipient states in this region is generally education, which averages 30 per cent of total expenditure. This money is used largely to finance a mass of certificates, most of which do not lead to higher education, so that the ranks of malcontents are swollen year by year.

Projects are rarely organized in the context of an overall view of a geographical area and a period of time. For instance, an abattoir will be built in a town which has no cattle in the vicinity; another town will have a hospital, but no doctors; another will have a fine system of rubbish tips, but no collection facilities.

The selection of projects is always biased towards spectacular advanced-technology schemes involving the inevitable technological management which is isolated from the local area and from which the local population are excluded.

The fashion for big dams reflects this approach. So does the craze for large hospitals, where modest and less costly schemes would often give much better results; large numbers of children are losing their sight because of trachoma although they could have been cured by a few applications of ointment at 30p a tube.

Finally, and perhaps worst of all, for all the oft-repeated declarations of intent, agricultural development schemes, which are of course of vital importance, but are too often imposed from above and set up in an area without involving the local peasant farmer.

The enormous development-manufacturing machine crops short at precisely that crucial point at which real development takes root, without managing to become a part of it and without commitment in support for local populations' own efforts.

In contrast with the aid agencies' official utterances of optimism, behind the scenes there is deep pessimism in the observations made by those on the sides of aid transactions. In our view this pessimism is not justified, because the right conditions for launching a process of development prevail in many cases.

In the Sahel particularly, the local populations are of the highest calibre. Anyone who crosses the fields in the middle of the day during the hot sea-

son and sees the people working under the sun at its hottest will appreciate their industry. Anyone who reflects for a moment on the exceptionally difficult natural conditions under which they win their crops will appreciate the value of their knowledge. Anyone who has lived among them will have seen their many experiments with new methods.

To the south of Gao in the Niger Valley, I saw recently a group of peasant farmers club together spontaneously to have a millstone sent from the town at great expense to build embankments to keep the flood waters under control. Unfortunately, the floods were too violent and the farmers' efforts were ruined.

The natural potential—surface water, river water, groundwater, land, energy (solar energy in particular)—is far from being fully exploited. The abiding difficulty is the problem of defining the operational methods to be put into practice.

Underdevelopment is the erosion of the systems and subsystems which go to make up a community. This erosion has caused a loss of identity. Development aid is a matter of helping these systems and subsystems to reconstitute themselves autonomously and to bind together.

These considerations argue the case for a development aid approach based on local communities and regions, and for the establishment of thoroughly legitimized deliberative bodies organized around a limited range of responsibilities which are clearly perceived by the community (Crozier): cooperatives and local assemblies rested with important powers. With this approach, the state can resume its role as a coordinator and spare itself the effort of thinking and acting on behalf of the people.

Studies for schemes of this type are under way in Mali and Senegal, and another is soon to start in Chad. The operation of such projects can restore the identity and initiative of local communities, and in so doing give full meaning to international co-operation. In this way international co-operation can deploy its resources in support of highly distinctive and authentic regional and national planning, drawing its strength from the initiative of the people.

Philippe de La Roche



tech-transfair '80

13-16 May
Utrecht - Holland

2nd International fair for technology transfer

Tech-Transfair: a biennial European - based international fair for executives, active in technology exchange, will be held from May 13 to May 16. Also open on Ascension day (May 15th)

Worldwide technology offers at your disposal

Tech-Transfair is a biennial international meeting place for executives, actively interested in the possibilities of technology exchange by licensing, know-how agreements, joint ventures etc. Tech-Transfair is exclusively devoted to this subject.

Consequently there is no link with any kind of product orientated exhibition. Transfer of technology is the one and only theme.

Tech-Transfair exhibitors (primarily sellers) have enlisted from such divergent countries as Czechoslovakia, Belgium, U.S.A., Brazil, Poland, Israel, Venezuela, U.K., Hungary, West-Germany, Spain, Canada, Australia and the Netherlands. Visitors to the first Tech-Transfair came from 58 different countries. The largest proportion from Western Europe (some 70%). The other 30% came from North and South-America, Eastern Europe, Asia, the Middle East and Africa.

Promotion to developing countries is conducted in cooperation with international organizations in order to ensure the attendance of the most appropriate buyers and sellers. Unqualified visitors are discouraged by an admission of Hfl. 175.—in order to keep the event on the required level.

Make use of the technology-registration-service

In order to make the most relevant contacts at Tech-Transfair, you are encouraged to describe your technology needs. Your interests are listed by code number (preserving your anonymity) on a flyer that is distributed to all exhibitors. Exhibitors noting a potential technology match communicate to you by placing a note in your correspondingly numbered pigeon hole. You are then in a position to consider a visit to the exhibitor concerned and discuss the opportunity.

Pre-registration

Intending visitors are requested to register in advance so that registration entries can be handled in advance and in order to have your admission ticket, your badge and documentation ready for you on your arrival.

Also open on ascension day (May 15th.)

Please note that Tech-Transfair '80 will be also in full operation on May 15th (Ascension day).

International Conference on: Management of Technology Exchange (May 13-14)

Concurrent with Tech-Transfair '80, leaders in technology transfer from

the U.S.A. and Europe will lecture on the management of this complex process. The keynote address will be given by Dr. Jordan Baruch, Asst. Secretary of Science and Technology of the U.S. Department of Commerce. Official program will be sent on request.

Basic Licensing Courses (May 12)

Preceding the Conference (May 13th) two basic licensing courses will be held, one for business executives and one for representatives of universities and other forms of higher education. Official program will be sent on request.

Participants in the Conference and Courses will have automatic access to Tech-Transfair '80 (for all four days) and will be also entitled to make use of the technology-registration-service as mentioned above.

U Tech-Transfair '80
c/o
Royal Netherlands Industries Fair
P.O. Box 8500
3503 RM UTRECHT/Netherlands
Tel.: 030-914 914
Telex: 47132

Banking secrecy: France is odd man out

SWITZERLAND

Swiss banking secrecy provides almost total protection against disclosure of the financial affairs of bank customers to unauthorized people. "Unauthorized people" often include the state, and this frequently causes trouble in Switzerland and abroad.

Not even government officials are given any information by the banks if only taxation matters, and not criminal matters, are concerned. There is no obligation on Swiss banks to supply information to the tax authorities, or even to draw certain facts to their attention. On the contrary, a banker who did so might in certain circumstances be liable to prosecution.

The special nature of Swiss regulations on banking secrecy is that infringements are punishable under Swiss law. Section 47 of the Banking Act provides for a term of imprisonment of up to six months and a fine of up to 50,000 francs for infringement of banking secrecy. Even inadvertent breaches due to unintentional negligence can attract a penalty.

The far-reaching nature of Swiss banking secrecy dates largely from 1934, when capital transfers from Germany were declared illegal, and flouting of the law brought serious consequences. It was at this time that the famous system of numbered accounts was started.

To find out whether Jews whom they suspected of having an account in Switzerland actually did have one, the German authorities used to transfer small amounts in favour of individual suspects. If receipt of the money was acknowledged by the bank under the name which had been given, this constituted evidence that funds had been sent out of Germany; the person would be prosecuted, and often ended up in a concentration camp.

Numbered accounts are given no greater legal protection than ordinary accounts. With a numbered account, however, the identity of the holder is known only to a few selected people in the bank. Not everyone can open a numbered account. Anyone applying to a Swiss bank to do so must give cogent reasons for the additional discretion he is asking for.

The Swiss Social Democrats are rattling at the gates of the banking fortress. They are demanding a referendum on the lifting of banking secrecy if there are grounds for suspicion of tax evasion or fraud involving the revenue. This regulation would also apply in the case of tax evasion abroad.

A decision on whether banking secrecy should be relaxed is not due before 1983, and it is generally expected that most Swiss will vote against any such change in the law. But the left, in addition to demanding the lifting of national regulations on banking secrecy where fiscal matters are concerned, is also calling for a change in Swiss practice regarding judicial assistance between countries.

Switzerland always refuses to comply with letters rogatory requesting the waiver of banking secrecy. Government circles point out in this connection that it is not for Switzerland to act as an arbiter on which requests from which countries are justifiable. There have been instances when Italian states have insisted on fiscal offences in the case of people they objected to in order to bring pressure to bear.

The only occasions when Switzerland will agree to lift banking secrecy in connection with tax offences concern a separate treaty on official judicial assistance with the United States. This is in connection with the campaign against members of the Mafia, for the American authorities believe that in many cases they can succeed only if they have evidence of the commission of tax offences. Since the treaty came into force two years ago, nearly 70 letters rogatory have been submitted by the United States authorities to Bern, none of them to do with organized crime.

In nearly every instance, banking secrecy is not enforced in the case of criminal offences.

Klaus Niederau

ITALY

Under the provisions of the Italian Banking Act of 1936, all information and data concerning banks and other credit institutions are subject to official secrecy. This provision also extends to relationships between banks and government authorities: the Banking Act lays down the principle that even information regarding criminal activities should be imparted only to the Central Bank.

As additional protection the Act also stipulates that all employees of the Central Bank are bound to official secrecy, so that even the Governor of the Bank of Italy is liable to prosecution for any infringement.

This general system of banking secrecy has meanwhile become an integral part of the contractual relationship between banks and their customers. Although there has been no subsequent legislation on banking secrecy, usages have become so established in practice as to be tantamount to a system of prescriptive law. This means that in their relationships with their customers banks enter into an implicit

agreement of the customer. And even then—except in special circumstances prescribed by law—we normally give our opinions only about a particular customer, not hard facts", the same bank official said.

As regards information which the law requires to be given in various cases, or as occasion arises, such as automatically reporting to the tax authorities interest accruing in excess of a specified amount on deposit accounts during the financial year, the official shrugged his shoulders regretfully, and said: "There can be no absolute guarantee that outsiders, including officials of all kinds, will never come to learn the details of a private individual's or a business's financial affairs and transactions. The best way in which the ordinary person can avoid this is to have a current account only, which bears no interest."

There is an impressive list of regulations which require banks to supply information about their customers. No fewer than 16 are mentioned in the Lindop report. The main officials or organizations which can thereby have access to such information or are authorized to receive it are inspectors of taxes, the inland revenue office, customs officers, the Director of Fair Trading, the Secretary of State for Industry and his inspectors, the Charity Commissioners, the Director of Public Prosecutions, and—on the basis of a court order—parties in certain types of lawsuit.

Claus Dertinger

obligation not to reveal to third parties any information about matters which either expressly or impliedly are to be treated as confidential.

Exceptions to this general system of banking secrecy are provided for in legislation, but they are in reference only to special precisely defined cases. This applies to government agencies and in particular to the inland revenue, which may set aside banking secrecy only where this is specifically provided for.

The exceptions are laid down in a presidential decree of September 29, 1973, and apply only if a taxpayer has made no tax return and the authorities have firm information that he has an annual income of more than 100m lire (£50,000), or if an individual has acquired fixed or movable assets valued at more than 75m lire (£12,000) if the tax authorities have firm evidence to show that a taxpayer has earned four times as much in the course of the financial year as has been declared, unless the difference amounts to less than 100m lire; or if a taxpayer has failed to keep the necessary accounts.

A similar desire on the part of the legislature to preserve banking secrecy in tax matters as far as possible is to be seen in the provisions on capital transfer tax. Here again the inspector of taxes does not intervene directly, but has to rely on the duty of disclosure imposed on the taxpayer.

Even in the case of value-added tax, which is assumed to be underpaid by up to as much as 40 per cent, and so represents a particularly difficult problem of collecting for the revenue, the legislature has hesitated to permit much erosion of the principle of banking secrecy. When VAT was introduced in 1972, for instance, banks were released from the obligation, when making their annual tax returns, of sending in a list of customers to whom a table of charges had been sent during the year.

Still more protection is afforded in that tax offices have no right to request banks to provide them with documentary information about customers to assist them with their VAT assessments.

The only area in which the principle of banking secrecy has been relaxed to any extent is that of exchange operations. In this case, however, it was felt that a somewhat stricter procedure was justified in the overriding interests of the national economy and of monetary policy.

Under the Act of April 20, 1976, the unauthorized export of capital, especially the export of national and foreign currency, securities and other payment media, is an indictable offence. The involvement of bank employees constitutes aggravation and special penalties are provided for any who in the course of their official activities illegally export capital.

According to a court ruling, the "exchange control police" set up in 1976 may be authorized to assume the control functions of the national exchange control commission, a department of the Bank of Italy. This means that the exchange control police can, if so authorized, make direct investigations.

There is still the proviso, however, that to do this they require, in addition to the court authorization, the authority of the public prosecutor's office, and the perpetrator must have been caught in *flagrante delicto*.

Günter Depas

UNITED KINGDOM

This is a letter sent by a finance company to a customer whose account with it was thought to be in arrears: "Dear Customer, I have been designed to write automatic letters regarding customer arrears. So far only you and I

know of your arrears, but unless some progress is made in the next seven days I am programmed to circulate full details of your debt. This is my last letter. Yours faithfully, The Computer."

This kind of letter is not allowed to be sent out in the United Kingdom today, but it is a genuine letter which was actually dispatched, and as an indication of the increasing threat to the principle of confidentiality of personal data, appeared in the report of an official commission of inquiry (under Sir Norman Lindop) published 15 months ago.

Meanwhile the finance company concerned has instructed its computer not to print out any more warnings of this sort. Banking secrecy is an absolute principle in the United Kingdom. But the case of the finance company, the kind of institution for which, in keeping with British tradition, somewhat different standards of confidentiality apply than for banking institutions proper, illustrates only too clearly that there can be legitimate or legitimized reasons for non-observance of the confidentiality relationship between bank and customer.

As regards banks, these reasons can be summarized, ever since the decision of the Court of Appeal in the "Tourist versus National Provincial and Union Bank of England" case, as release of information in accordance with legal provisions, release of information in connection with a duty towards the public, release of information in the interests of the bank concerned, and release of information with the express or implicit agreement of the customer.

If, as is not impossible, a special law is brought in for the protection of information, after the example of other European countries, it will in all probability, where banking is concerned, follow the essentially British principle of flexibility.

The head of the legal department of one of the big London banks illustrated the possible consequences of over-rigid regulations, including, for instance, the requirement that the consent of the customer must be obtained before any credit information is supplied about him, by citing what happened in Norway. "We have always supplied this information free of charge, with the tacit understanding of our customers, as a form of service to the public," he said. "If we were to be obliged by law to reassess ourselves every time that the person concerned had no objection, then, speaking personally, I should argue in favour of 'abandoning' this particular service altogether."

The banking world emphasizes that its policy is based on the principle that information should be supplied only if this is required by law, or with the

agreement of the customer. And even then—except in special circumstances prescribed by law—we normally give our opinions only about a particular customer, not hard facts", the same bank official said.

As regards information which the law requires to be given in various cases, or as occasion arises, such as automatically reporting to the tax authorities interest accruing in excess of a specified amount on deposit accounts during the financial year, the official shrugged his shoulders regretfully, and said: "There can be no absolute guarantee that outsiders, including officials of all kinds, will never come to learn the details of a private individual's or a business's financial affairs and transactions. The best way in which the ordinary person can avoid this is to have a current account only, which bears no interest."

There is an impressive list of regulations which require banks to supply information about their customers. No fewer than 16 are mentioned in the Lindop report. The main officials or organizations which can thereby have access to such information or are authorized to receive it are inspectors of taxes, the inland revenue office, customs officers, the Director of Fair Trading, the Secretary of State for Industry and his inspectors, the Charity Commissioners, the Director of Public Prosecutions, and—on the basis of a court order—parties in certain types of lawsuit.

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Claus Dertinger

Karl Grün

FRANCE

France has no precise legislation governing the practice of banking secrecy. It is only through a wide interpretation of article 378 of the Penal Code of 1810 that the courts have been able to extend to banks the right to observe secrecy, to a degree that varies from case to case.

But the resulting case law has not established a binding obligation to respect secrecy, non-observance of which is a penal offence. Unlike other professional categories covered by article 376, such as doctors, pharmacists, lawyers and so on, French banks can be sued for indiscretion only in the civil courts. Article 1382 of the Civil Code lays down that the plaintiff—the customer—must show proof of having suffered damage. Under article 316 of the Penal Code banks are also bound to provide criminal courts with any information demanded.

The French customs and inland revenue are authorized to request banks to supply them with such information they need for the investigation of suspected customs and tax offences, without the need for a court order. Advance notification of their intentions, to the customer, can be dispensed with.

Banks may decline to provide the authorities with information, although if they are in any doubt they are unlikely to refuse. Because French banks are more dependent on government direction than the banks in Germany: for example, they would not want to risk reduction of their credit allocation from the Central Bank, which comes under the direct control of the Finance Minister.

It makes little difference if an account is kept with one of the big state banks or with a private bank. In both cases customers enjoy the same degree of protection against third parties and lack of protection against government authorities. Banking secrecy in France is further called in question through the obligation laid on the banks to supply certain information to the Central Bank. Not only must the Central Bank be kept informed of any irregular transactions such as protests concerning bills, uncovered cheques and so on, but also has to be notified of all new accounts that are opened. If a new account is accepted, the bank is liable for the encashment of cheques for more than 100 francs.

Furthermore, by far the greatest volume of payment transactions between banks are effected through the Central Bank. This means that details

continued on next page



A branch of Crédit Lyonnais in Paris.

WHEN YOU HAVE TO WAIT FOR HOURS IN THE POST OFFICE, IT'S GENERALLY SAID THAT SOMETHING SHOULD BE DONE ABOUT IT.

ITALPOSTE IS DOING SOMETHING. BUILDING 370 NEW POST OFFICES. ALREADY 200 ARE BUSY SERVING THE PUBLIC.



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The Post Office is a basic community service, and the work within should take place in surroundings that encourage good relations between the employees and the public.

To meet this need, the Ministry of Post and Telecommunications turned to Italpost: one of the Italstat group of companies to provide 370 new Post Offices in areas outside the main regional capitals.

In only 30 months the plan became a reality, with Post Offices that offer space and comfort to both the staff and their customers.

This achievement meets all the technical, practical and security needs which are now essential to a public service, and which the Ministry of Post and Telecommunications wants to guarantee to the community. These offices have become a social centre, and introduce a quality of service completely new to the present Italian way of life.

The ITALPOSTE Approach

In order to arrive at this result, Italpost worked in a number of ways, largely by maintaining a continuous dialogue with local authorities in

order to find the best solutions to their specific needs. And it was Italpost who planned, coordinated and brought the whole project to completion.

Thousands of Italians now enjoy the benefits of these 370 new Post Offices. It has all been made possible by the timely stepping-up of government subsidies for public corporations, and the use of private firms, co-operatives and state participation.

ITALSTAT
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Banking secrecy: France is odd man out

continued from previous page

are available about their customers' transactions and this information is stored in a national data bank.

Banking secrecy in regard to accounts held by foreigners in French banks is almost non-existent. Under the far-reaching exchange control regulations in force, the authorities have the right to examine whatever bank accounts they like. The French customs can also take action to attract money held in a bank without the need for a garnishee's order.

Because of this lack of legal safeguards, the French have tried to protect themselves against the intervention of the authorities, in particular the inland revenue, by keeping a part of their (untaxed) income in gold, art objects, or nameless securities, especially bearer treasury bills, on which the state pays less interest.

They also make arrangements to invest a part of their assets illegally abroad. Even in EEC countries, exchange of information between different national taxation authorities has so far remained largely ineffectual. In any case, banks in other EEC countries would be bound only by the exceptions to the principle of banking secrecy permitted under their own national legislation, and these are much narrower in scope than they are in France.

Joachim Scharnuffus

AUSTRIA

"Since the new Banking Act came into force a year ago, banking secrecy in Austria is at least as complete as it is in Switzerland." So one is told in financial circles in Vienna, with unmistakable pride.

The new Act has indeed considerably strengthened the safeguards surrounding banking secrecy and the anonymity of deposits, so much so that disclosure is now not only a matter of honour for Austrian banks and credit institutions but a binding legal obligation. Only in cases of deliberate infringement of the finance regulations or of prosecution can banking secrecy be set aside.

Consequently tax offices have only limited access to bank accounts and deposits. They have no authority to ask for lists of customers or the state of accounts in general, even when a bank is itself the subject of investigation. Only if there is well-founded suspicion of tax evasion can banks be required by law to provide information to the inland revenue authorities.

But there are some forms of deposits in Austria which guarantee absolute anonymity, since even the bank or savings bank concerned does not know the identity of the account-holder. Even under the

much-discussed system of Swiss numbered accounts the identity of the holder is checked and recorded by the institution concerned, but in Austria anybody can open an anonymous savings account or security deposit under a code name, without having to identify himself.

Nor need the holder's identity be declared even when an account is drawn on. Anybody can draw out money provided he produces a savings book or depositor's certificate, and quotes the code name recorded by the bank.

The reason why, despite this, there is less export of capital and tax evasion in Austria than in some other countries lies mainly in its complicated and somewhat illiberal currency regulations. The complete freedom of convertibility that exists in Switzerland or Liechtenstein, for instance, does not apply in Austria. Resident and non-resident holders of foreign currency are treated differently.

For resident foreign currency holders (residence being defined as the principal residence for tax purposes, and not in terms of nationality) the maximum sum that is freely convertible is in the region of £1,000. Any currency transactions for amounts in excess of this sum need the prior clearance of the Central Bank, which requires valid reasons to be produced.

Non-residents are treated more generously. They can bring any amount of foreign currency of all kinds into the country and open a bank account, though they must have the prior approval of the Central Bank before engaging in money transactions, purchasing securities or acquiring investments. Such approval, however, is usually a mere formality. Capital and earnings can be converted and transferred at any time.

The privilege of free convertibility accorded to non-resident foreign currency holders only operates, however, in the framework of normal banking practice, and excludes anonymity. For this reason it raises all kinds of problems if fugitive capital is to be invested in anonymous savings accounts or security deposits identified only by code-name and with outdrawings payable to bearer.

Such anonymous accounts and deposits are not in foreign currency but exclusively in Austrian schillings. Essentially, they are treated as resident accounts. Since no declaration of identity is required, any non-resident can open such an account or deposit, and benefit from any earnings deriving from them; interest is paid on them, without any restrictions, at the usual rates.

No financial operations can be undertaken with these funds, however. Moreover, any transfers of large sums could get a non-resident account-holder or depositor into trouble because of the



The tall new building of the Deutsche Bank in Frankfurt.

exchange control regulations. The only effective option open to him would be to take the money out of the country illegally in the form of cash, which in the case of large amounts would not be without risk.

Ulrich B. Marker

GERMANY

"The business relationship between a bank and its customers is one of confidentiality." This principle, which is in the forefront of general banking practice, is based on banking secrecy. In the eyes of the law, banking secrecy entails a contractual duty on the part of the bank not to disclose details of the amount of a customer's assets or other interests, or in some instances those of non-customers, of which it may come to hear in the course of normal business or by chance.

Because of this duty to observe secrecy concerning their customers' affairs, banks have the right to withhold information from third parties, unless, by way of exception, expressly required by law to disclose it, or save where they are voluntarily released by the customer from the obligation not to disclose information.

There are no specific legal provisions or definitions regarding banking secrecy in Germany, but its existence is recognized by legislators and it is an element of common law. The German criminal code offers no specific protection against infringements of banking secrecy; there are however remedies available under civil law, including those provided for under industrial legislation or the law on the rights and duties of officials. There is too a degree of protection under the constitution of the rights of individual citizens, which also covers the private sphere and the confidential relation-

ship between a customer and his bank.

Banking secrecy is, however, subject to certain limitations. The law prescribes a duty of disclosure under public law in matters of overriding public interest, in particular where criminal proceedings and investigations by the tax authorities are concerned. Banking secrecy is also subject to certain limitations under the common law (for example in cases of necessity, or the safeguarding of legitimate interests) or under civil law, either in terms of the statutory right to information (invested in the individual) or of release from the statutory duty to disclose information (with particular reference to banking formation).

Limitations on banking secrecy vary in accordance with the nature of the case. In civil and administrative proceedings in general, as in cases of bankruptcy, composition and voluntary arbitration, the banks can rely in principle on banking secrecy, whereas in criminal cases the right to refuse disclosure is excluded.

There is no obligation on German banks to supply information to the inland revenue authorities on the general state of accounts, deposits or earnings. The only exception is in regard to inheritances.

The new banking regulations of August 31, 1977, continue to impose significant limitations on the actions of the taxation authorities in pursuing inquiries with the banks.

These authorities have no power to demand, in connection with general fiscal control, or under ad hoc reports from the banks on accounts or deposits. They can request such information in specific instances, however, always provided that the banks can provide a concrete ground for suspicion that matters directly related to taxation questions are being concealed.

If the identity of the taxpayer concerned is known, the bank can be asked to provide information if inquiries into the circumstances of the case made by the tax authorities have not led to the desired results, and show no likelihood of doing so.

The same applies to "tax ferrets" in connection with general fiscal control, or with preliminary investigations relating to the seizure of a judicial inquiry into tax offences. In the context of a judicial inquiry of this kind, tax investigators may require banks to provide information without previous questioning of the customer concerned, or safeguarding of his rights under the code of criminal procedure, in their capacity of aiding the public prosecutor's office.

If an outside audit of a bank is being conducted under the direction of the banking supervisory authority, deposit accounts subject to authentication may not be wound up; nor may any public announcement be made by the controlling authority.

Dieter Holzheimer

Ideology and economy go separate ways

Grouping of planet and band of satellites weakens both

The Soviet Union and its allies, more than ever, have the appearance of a political monolith, brought about by international tension. And yet, monolithism has almost never been so fragile, at the economic level. This is because of the international crisis.

There is a clear dichotomy between the single, unequivocal political strategy, as is clearly evident in the recent reports of Gierke and Kadar to their party congresses. The reason lies in the political monolithism which has come to lack a solid economic basis. Ideology and economy have not gone ahead at the same rate.

The Comecon, right from the beginning, has had the bluish of an original sin; it has united a real planet, the Soviet Union, with a band of minute satellites. The difference has thus obliged the Soviet economy to intervene in support of its allies, though at the same time burdening them with all its own malfunctions.

In the initial, somewhat optimistic stage, everything was based on a simplistic model: without sources of energy and raw materials, the satellites, fabrication economies, obtained supplies from the Soviet Union, and then exported their own industrial products. The immense, starry Soviet market bought everything, and paid for it, at privileged terms. The prices of raw materials for Comecon members were for many years much lower than world prices. Conversely, the industrial prices paid by the Soviet Union to its allies were above world levels.

In addition to economic reasons, there were political ones. With its subsidies, Moscow bought peace in those countries rocked by unrest—especially after the revolts of Hungary, Budapest and Prague, in the unbalanced and tendentially artificial framework of Comecon, bit by bit we have seen the appearance of the negative aspects of socialist economic systems copied from the Soviet model: the lack of efficiency, the absence of economic principles, the political measures imposed on financial calculations. Consequently, the Soviet Union and its allies between them were producing increasingly less modern products and plant, at increasingly higher prices.

The technological gap, compared with the industrialized world, therefore became increasingly wider. The Soviet Union started to understand that it could no longer keep up worldwide strategic competition under such unequal conditions. The world crisis thus acted as the catalyst for a change of direction: it was felt in the Soviet economy (the growth rate fell by more than three times) but it also opened up for the Soviet Union the prospect of becoming, for the Western countries and primarily the European

ones, an alternative market for energy supplies and industrial products. This was, in short, the moment when Moscow realized that "the empire was too expensive".

The allies were told that Comecon prices had to be raised to world levels. Petrol, gas and raw materials were no longer sold to the lesser countries at privileged rates (even the allocations were reduced, since the Soviet Union was trying to increase its exports to the West), while for the allies' products present world prices were applied. In addition, Moscow insisted that machinery and plant had to be close to Western technological standards.

As economic logic prevailed, the lesser countries had a new type of reasoning imposed upon them. They still remained privileged towards the boundless Soviet market but, if they are to satisfy the new requirements of their planet ally, they have to attain quality standards and price competitiveness to or near Western levels. Moscow no longer looks to see whether the label of the goods it buys is red.

The only way for all these countries to attain western levels is to turn to the West—to import Western technology and to produce products that can compete with Western products in the Soviet Union. It would be an easy enough business, a simple operation on a wider scale, but for the existence of a decisive obstacle—convertible rouble.

The highest failure of Comecon, and the reason for so many of its malfunctions, is its failure to institute the famous "convertible rouble".

The Soviet Union trades with its allies within the framework of a monetary clearing system, adopted towards Moscow, and the reasons have been clearly economic: Europe needs the socialist markets, whereas the United States needs them less.

A parallel phenomenon can be found even in the Eastern countries, which makes it vital to expand commercial relations with the West. Each of them seeks its own road, since the



The 26-storey administrative headquarters of Comecon on Kallinin Prospekt, Moscow.

It was obviously to the advantage of the Western economies to help such a strategic change for two reasons: first, with the extreme uncertainty of the "classic" markets they turned to alternative markets (more stable, and more promising, because of state guarantees); second, they hoped to stimulate diversification between the Eastern countries and thus bring about the so-called multilateralization of inter-European relations, a mirage that always eluded the Ostpolitik of Herr Willy Brandt.

There are now some grounds for hoping it may come about. Even the Western countries have differed latterly in the regard to the policy, to be adopted towards Moscow, and the reasons have been clearly economic: Europe needs the socialist markets, whereas the United States needs them less.

A parallel phenomenon can be found even in the Eastern countries, which makes it vital to expand commercial relations with the West. Each of them seeks its own road, since the

hopes for a multi-sided relationship between Comecon and the EEC have evaporated. The change is concealed however. None of the Eastern leaders can openly admit to having his own strategy. However, they all make it clear that they fear the collapse of the Western economies almost as much as the Westerners themselves.

The same is also true of the Russians. They see the European economy as being obliged to contribute to the technological takeoff of the Soviet Union. And they hope that that will contribute to its detachment from the United States. "Without Russian orders, more than one million European workers would be out of work," one Moscow academic said, explaining the very ready availability of Western loans. As Pravda said some time back: "Paris and Bonn never forget that their balance with the Soviet Union will this year reach 14,000m francs and DM7,000m respectively."

These lines of thought explain the reasons why Moscow is exposing itself to the dangers of allowing its allies to have autonomous trade policies. It is lightening its own commitments, and transferring them to the West, hoping to be able to influence and condition to a greater extent than it will itself be influenced and conditioned.

However, the Soviet Union's interests within the framework of the new economic strategies need not always coincide with the interests of the individual allied countries which have been induced to seek, each on its own account, an outlet to the West. For this reason, the Soviet Union, in exchange for the pluralization of economic policies, asks its allies for narrower political monolithism. In the behaviour of the Western powers towards Moscow, economic reason prevails over political reason. We shall see which of the two will turn out to be stronger in the East where, by the nature of things, political and ideological considerations have so far always dominated economic ones.

Franco Barbieri

On the contrary

La crise polyvalente

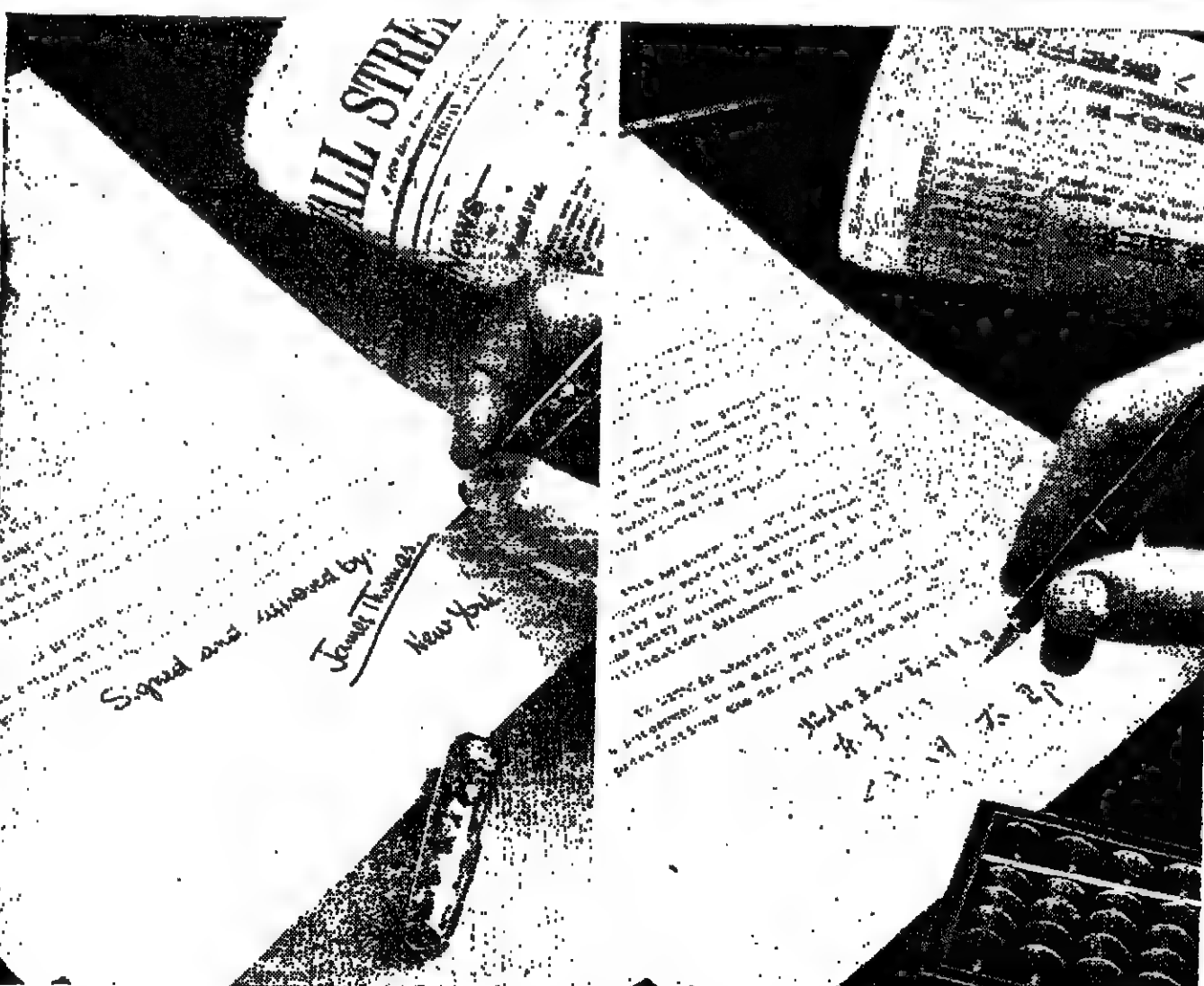
L'aspect le plus frappant de la crise européenne n'est point l'importance des intérêts en cause, mais le clivage psychologique qu'ils révèlent. A Paris et à Londres notamment, l'on a eu l'impression récemment d'habiter deux mondes différents.

Pour les Français, tout est clair et indivisible. Qu'il s'agisse du mouton, de la pêche, de l'agriculture ou des ressources propres, les procédés britanniques risquent de démanteler le Marché commun. Afin d'acheter du mouton néo-zélandais, la Grande-Bretagne essaie de vendre le sien en France, mais sans une organisation du marché pour assurer les transitions et les sauvegardes nécessaires. Elle refuse en même temps une politique commune en matière de pêche. Elle cherche à défaire la politique agricole. Elle met en cause les principes budgétaires auxquels elle a déjà obtenu une dérogation partielle.

Aux yeux des Anglais, au contraire, c'est la France qui est déraisonnable. Elle n'applique pas la décision de la cour en ce qui concerne le mouton. Ses pêcheurs vont à la conquête des eaux et des poissons britanniques. Paris défend obstinément un système agricole dont les exportations de beurre subventionnent l'économie des envahisseurs de l'Afghanistan, ainsi qu'un mécanisme financier qui a pour effet de prendre aux pauvres ce qu'il donne aux riches.

Il ne suffit pas de négocier, même au "sommet" il faut lire plus attentivement les journaux des autres.

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MAY DAY! MAY DAY! MAY DAY!

The symbolism of the May Day bank holiday is like that of Good Friday: it is not a holiday of celebration, but of grief and recollection. Some years ago an imaginative British Government apparently foresaw the danger that the British would forget what totalitarian socialism, that is communism, had done to the world, would forget the nations enslaved, the tens of millions killed, the destruction of humanity and liberty, the dark night. They gave us a holiday of remembrance.

Even that Government did not foresee Afghanistan, or perhaps Sir Denis Follows, who himself cannot remember a war when he sees one. They did not foresee that British athletes might choose to celebrate the Olympic Games in Moscow while the Russians were suppressing the freedom of Afghanistan, trailing the Union Jack in the blood of the victims. But they must have understood that many of the British, like most other people, want to pretend that there is no such thing as organized evil in the world, and to forget that evil can only be resisted by recognition and vigilance.

Enslaved nations

On the festival of May Day, we should therefore remember all the nations that have fallen to communism. First of all there are the component nations of the Soviet Union, including the Russian people themselves—and Solzhenitsyn is right to remind us that the Russians are the first and perhaps even the greatest victims of the Bolshevik tyranny. (It is a mark of the horror of that regime that to use the purely descriptive party name "Bolshevik" sounds as if one was using a form of propagandist abuse—like calling people "Nazis".)

What is certain is that the other nations of the USSR suffer from this tyranny. We should particularly remember the Russian Jews, who suffer from extreme discrimination in education, employment and the practice of their religion; their passes, uniquely among Soviet citizens, are stamped with their race as "Jewish" and not with their soviet nationality of birth, "Russian", "Ukrainian" and so on. In Russia to be a Jew is purely a racial question—it is not the proud badge of those who identify their own loyalty or religion, but a racial category enforced by the state.

One should remember the Ukrainians, just as much an oppressed nation as the more recent Soviet conquests of Europe. One should remember the Crimean Tatars, whose shocking fate, exposed still not allowed home, should not be forgotten even by the dupes of the Soviet tourist thought control. One should remember the oppressed religions of the Soviet Union, not only the Jews but Christians of all denominations and Muslims.

Beyond the original Soviet Union there are the European nations under Soviet power. There are Estonia, Latvia and Lithuania, nations which have actually been incorporated in the Soviet Union against their will. There is Poland, and oppressed Czechoslovakia, whose Government is uniquely contemptible even among Soviet Governments, so panicky-stricken that it is even terrified of Aristotle. Timid and guilty tyrants who are traitors to their own nation, fear the most distant echo of truth. There is

Bulgaria, which shares with Libya the nervous gangster's habit of assassinating its emigres. There are Hungary and Romania, and there is East Germany, with its great wall to keep its citizens in.

That makes a total of nine European nations which have been enslaved by the Soviet Union. Not one of these nine nations would support its Soviet or Communist rulers in a free election. Although some have been enslaved for over forty years, and all for over thirty, their nationhood and their desire for independence remain. What scorn one must feel for those statesmen who rule them, surviving either on the basis of their own powers of repression or on the power of Soviet tanks.

In Britain we are lucky: we have always been lucky in our geography. The great slave-masters of Europe have not been able to reach us for nearly a thousand years, not since we were invaded by the Normans. What happened to us then, has happened to most European nations: repeatedly, under Austrian, Spanish, Turkish, French, Russian and German rulers. All these Soviet-ruled nations have experienced tyranny before and freed themselves from it, and they will assert their independence again. In not one of these nine nations is liberty dead. We cannot free them, but the least we should do is to recognize what they are now suffering. That may be some small help to them, and, if we are too cowardly to recognize we shall perhaps live to experience their suffering.

Yet Europe is not the only victim, or at present the most immediate victim, of Soviet power. That fate is Afghanistan's. And here again the forces of oblivion are already coming to the aid of the Soviet Union. The Olympic committees pass by on the other side. Public opinion, now that the television cameras are no longer allowed to film the invading tanks, has turned to other matters. The poor Afghans are left to struggle on alone, and to be massacred out of sight of the world. One might use Milton's words:

"Avenge, O Lord, thy slaughtered saints, whose bones
Lie scattered on the Alpine mountains cold."

Latest victim

Yet this tyranny knows no bounds but the world; the claim and the threat of Soviet power are universal. Wherever that power is found there are the same evidences of nations suffering under its violation. We should particularly note how men will risk death to escape life under communism. At this very moment small boats that cannot stand the weather, are putting out from Cuba, as they put out from Vietnam. To a citizen of a Communist regime it is not just the personal threat of prison from which he flees; common thought that threat is his whole nation is in prison.

Beyond that there are nations which have freed themselves from the Soviet Union, but not from communism. These have ranged from the most unspeakable regimes, like that of Pol Pot—murder by the million—to a regime, Tito's Yugoslavia, which has moved back towards liberty. China is still a most repressive regime; China shares our fears of the Soviet Union, but the Chinese regime itself remains an example of repressive communism.

Nations enslaved, tens of millions killed, great armies of refugees, and for what? For the millennium? Not certainly for those hopes of a higher liberty which the early socialists entertained. There is nothing but the death of liberty in communism. For social equality? The master class of communism has privileges unknown to the West. In the West we have privileged education, as they do, and privileged health services, as they do. But we do not have privileged shops, to which only the elite can enter, where they can buy subsidized goods not available to ordinary people. It is as though Harrods were reserved for Members of Parliament and senior civil servants.

Was the revolution for economic efficiency? Russian agriculture is less productive today than it was in the time of the Czars, whereas Russia was a great grain exporter. The productivity in Russian industry is substantially less than half the European or Japanese average; even East Germany, probably the most efficient communist country, is less than half as efficient as West Germany. The Russian economy is a catastrophe, a case history of oppressive and incompetent state planning. Corrupt, too.

Duty to survive

What is communism's strength? Only that it exalts the state; it pushes the principle of total and unqualified state power further than it has ever been pushed before, further than Caesar, further than Louis XIV, further even than Napoleon and Hitler. The great tyrants of history pale before it and acknowledge in Marxism their master. All tyranny is inhuman, and the most absolute of all tyrannies is the most inhuman.

As communism idolizes the state, it exalts the chief functions of the state, including the repressive and aggressive functions. It is a doctrine of police power. It is always dangerous, not only being well armed, but—as in Afghanistan—willing to strike. If we wish to remain free, we should not hide from ourselves Soviet military power or the military threat, and must always be on our guard.

A system such as this makes claim to the support of the people but has no natural root in humanity, and that is its great weakness. The tyrannies of the world have all crumbled to dust. They start in revolution, they thrive in oppression, they command no love and they end in despair. It is either in our power now, is it our duty to destroy communism already. It is our duty to survive communism, and to do that we must have the courage to recognize Soviet communism for what it is.

Many good people wish to forget, to forget Afghanistan, to forget Pol Pot, to forget the Vietnamese or Cuban boat people, to forget Czechoslovakia, to forget Hungary, to forget the Gulag Archipelago, to forget the KGB and to forget Stalin. If we wish to survive we cannot afford to forget. It was indeed a wise Government that gave us a May Day holiday of remembrance, knowing that May Day is the day on which the Soviet barons celebrate the achievements of their power and is also the internationally recognized call signal of distress.

Charge for eye tests

From Mr David Heath
Sir, Ever respectful of my elders and betters in the optical professions, I have until now refrained from writing on the subject of the introduction of charges for the sight test recently announced by Mr Jenkin. Having, however, waited in vain for comment from more distinguished colleagues on this matter, may I be permitted to express my deep concern at this measure?

I feel that the imposition of a £2 charge for an examination under the National Health Service is to be deplored on two grounds. Firstly, although the charge will be no more than an added and unwelcome burden to those patients for whom regular testing is essential to maintain their visual performance at an adequate level, to those who might be termed "casual patients", requiring a check-up or routine examination it will inevitably prove a deterrent. The result will be a significant lowering of the standard of eye care in this country, with many ophthalmic conditions remaining undetected in the early stages.

The second to be considered would appear to be whether the Health Service is justified in introducing such a charge in any case; that the individual is entitled to medical examination without charge has been hereto one of the bases of the NHS, and the present measure, even though confined to ophthalmic services, is a serious departure from that principle.

When the cash saving, especially in view of the extra administrative costs involved, is not at all great, might not Mr Jenkin and his colleagues be wise to reconsider very carefully measures which must concern very many both amongst those working in ophthalmic services and of the public at large?

Yours faithfully,
DAVID HEATH
Preston House,
Wiltshire.

Choice of Mr Reagan

From Mr Stephen Aulsebrook
Sir, In your editorial "Who Will Run With Mr Reagan?" (April 24), you say that since 1964 the Republican presidential nominees' choices for running-mates have been "an almost comic reflection upon the political judgment of successive Republican candidates". That is not correct. May I venture somewhat further, however, and suggest that the apparent choice of Mr Reagan as the nominee of the Republican Party for this year's presidential election is a truly comic reflection of the political judgment of a large proportion of the American electorate.

Yours sincerely,
S. W. AULSEBROOK,
24 Richmond Mount,
Leeds.
April 24.

Au pair regulations

From Dom P. L. Meylink
Sir, May I bring to your notice the extraordinary circumstances of the present au pair situation. The Minister of State for the Home Department has rejected a request made by members of both Houses of Parliament to withdraw the preventive measures against non-European au pairs now incorporated in the Immigration Rules.

As the regulations stand, only a girl "who is a national of a Western European country, including Malta, Cyprus and Turkey, may come to the United Kingdom to learn the English language and live for a time as a member of an English-speaking family". (White Paper, Proposals for Revision of the Immigration Rules).

It appears unrealistic to argue that a return to the original au pair practice of serving European girls is desirable. Since the First World War, not only has the education of girls become universal but facilities for travel and the broadening of ideas

have led young people from the Far East and most countries of the world to complete their education in Great Britain or the United States.

Among these are the au pair girls, some of whom cannot afford to stay here as full-time students; others, whose parents prefer to place them with families to give them a better education. These groups of agencies have used the au pair system to bring foreign girls into this country for full employment. This illegal entry should be stopped if not disrupted, but the present arbitrary regulations punish the innocent and may, or may not, prevent the guilty. It is hoped that they will be short lived and that English families will soon have freedom to welcome an au pair girl from Japan or Israel on equal terms with others from France or Denmark.

Yours faithfully,
D. FLACID MEYLINK, OSE,
Director,
International Youth Welfare,
29 Bramley Road, N14.

Overcrowding of prisons

From Mr Marilyn Turner
Sir, I am a visitor at Pentonville Prison. I spend much of my time with prisoners who, it seems to me, should not be in prison in the first place. I refer in particular to the "deportees", many of whom have never been in trouble with the law, and all of whom are ashamed by their situation as they languish in their crowded cells for weeks and months because those in authority have denied them bail.

If the Home Secretary became a Prison Visitor he would not find the task of supervising the prisoners anything like as formidable as it may seem to him from the floor of the House of Commons. He could start with the "deportees".

Yours truly,
MYRLYN TURNER,
24 Harborton Road, N19.

Organising schools in London

From the Leader of the Inner London Education Authority
Sir, Public confidence in a body such as the Inner London Education Authority is of paramount importance and you are right to refer to it in your leading article on the ILEA's future (May 2). But reference puzzles me. Your claim that the ILEA's constitutional position is "ill-adapted to creating public confidence" would be hard to substantiate.

There is in Wandsworth, for example, at this moment a notable example of public confidence being expressed in a spontaneous and formidable campaign conducted by parents and teachers alike in support of the ILEA and in opposition to the borough council's plan to take over education. I believe the Government will receive similar views from the public throughout inner London and that they will cut across any dissonance.

I doubt whether these parents and teachers would recognize the Authority from your summary of the case against it. For example, you refer to the "great size". Yet the ILEA is far smaller than any of the English and Welsh counties or Scottish regions and even than eight of the metropolitan districts in the north. Communications within it are better than in many of these areas. The population, including child population, within the ILEA has never been smaller than it is at present and the projections show a continuous decline over the next decade.

You say the ILEA's "lines of communication are long, a fault emphasized by over-centralization of administrative control". This completely ignores the fact that inner London, alone among urban authorities, has a well-organized divisional system of devolved administration. While major policy decisions are taken centrally, the schools are administered through local divisional offices and all ILEA schools, colleges and institutes are served by governing bodies of local people.

You say that we spend "more per pupil than any other education authority". I do not think our exceptionally good pupil-teacher ratios are a matter for apology. We could reduce our costs by worsening the ratios: is that what our critics really want?

In fact, expenditure per head on social services and housing in inner London, which are borough responsibilities, is very much higher than the national average. Expenditure on education accounts for a substantially lower proportion of total expenditure by local authorities in London (42 per cent) than it does for the country as a whole (50 per cent) and is about the same per pupil as inner and outer London boroughs.

You appear to think it remarkable that the ILEA "has power to raise money at its own discretion through the boroughs". But this is no different from the power of the counties to levy a precept on their constituent district councils. Whereas the districts have no representation at county level, the inner London boroughs are directly represented on the ILEA.

If the Government's examination of the Authority is a genuine attempt to establish the facts, rather than to rely on the Baker Committee's diet of inaccuracy, half-truth and prejudice, then I welcome it and our teachers, parents and pupils should have nothing to fear.

Yours faithfully,
SHELEY BRAMALL,
Council Hall, SEA.
May 2.

Common task

From Mrs J. Coates
Sir, The reasons given by Sir Kenneth Fiddess and Mr Oliver Sheppard (May 2) for deploring the cessation of the fagging system at Eton show them to be made chauvinistic of the deepest dye. How is it that vast numbers of young men, who are highly educated, manage to carry out the "menial tasks" of cooking, cleaning, and emptying bed-pans and chamber pots, not for a few months, but for three or four long years throughout their adult lives, without even feeling that their self-esteem is thereby lowered? Almost they persuade themselves that a feminist (though the years after 70 have passed on, too).

I have always been told, particularly at times of salary negotiations, that the reason for these long holidays is to enable those hard-pressed professionals of the class-rooms to keep up-to-date in their subjects by reading and research. Teachers in kindergartens, for whom research is not quite so necessary, need time to recuperate.

Yours sincerely,
C. L. FOX,
Heatherbrook,
The Ridges,
Fitchamstead,
Berkshire.
May 2.

Unwillingly from school

From Mr C. L. Fox
Sir, Mrs Betty Carter's reason for the length of school holidays (May 2) is pitiful and neatly balanced but mistaken. Childhood, while we are enduring it, is not short. It is an Embassy, especially those hot, unending summer afternoons which, if one's desk was in the back row, one could sometimes shorten by falling asleep. It is our youth, not our childhood, that goes too soon, say. Key dates will testify (though the years after 70 have passed on, too).

I have always been told, particularly at times of salary negotiations, that the reason for these long holidays is to enable those hard-pressed professionals of the class-rooms to keep up-to-date in their subjects by reading and research. Teachers in kindergartens, for whom research is not quite so necessary, need time to recuperate.

Yours sincerely,
C. L. FOX,
Heatherbrook,
The Ridges,
Fitchamstead,
Berkshire.
May 2.

From Mr T. H. K. Barron
Sir, Years ago my housemaster told me that he needed long holidays in order to keep sane. The accumulation of many teachers suggests that we have the balance about right.

Yours faithfully,
T. H. K. BARRON,
3 Carnarvon Road,
Bristol.

LETTERS TO THE EDITOR

Choosing a new chairman for British Steel

From Dr Jeremy Bray, MP for Motherwell and Wishaw (Labour).

Sir, We must not forget that, despite the farcical misjudgment in the terms of Mr Ian MacGregor's appointment as chairman of the British Steel Corporation, a great industry with many thousands of men and many billions of capital has to go on operating. If Mr MacGregor has a fraction of the judgment and wisdom he has been credited, he will revoke the terms of his own appointment, and give himself a chance. If not, the Corporation must find a way of operating with a lame-duck minister and a lame-duck chairman.

There were men within the Corporation quite capable of doing the chairman's job, and now they will have to do it without either the position or the pay.

The strategic issues of the economic context within which the Corporation operates must be faced. Sir Charles Villiers points to these, with his references to the bloated pound and the customer base. But his prescriptions are stronger on rhetoric than analysis. With what ever help it can get from the Confederation of British Industry and private firms, the Corporation must point out to the Government that the steel industry's problems of competitiveness are not unique. Whatever contributory causes may lie in its own efficiency, its problems, like those of other industries, are insoluble in the context of a petro-clerical and the present monetary policies of the Government, with their combined effect on the exchange rate.

In this the steel industry is the precursor of other industries because of its capital intensity, its exposure to international prices, and as a supplier of capital goods industries. That other industries are following is shown by the aggregate financial deficit of industrial and commercial companies at a time of low investment and inventory formation.

Will the adjustments work through in the stance of monetary policy, the exchange rate, and domestic steel prices, with the cor-

poration doing its best to defend its customer base in home and export markets, preserve its efficient general steel making capacity, and increase its capacity in high quality steels, operating losses will be inevitable.

There are a combination of problems Mr MacGregor has not faced before. Sir Keith Joseph has done nothing to improve Mr MacGregor's reported opinion of politicians and civil servants. But the problems of the British Steel Corporation cannot be solved without entering into these fields of policy.

Yours faithfully,
JEREMY BRAY,
House of Commons, SW1.
May 2.

From Mr Martin Briggs
Sir, Sir Charles Villiers in his open letter to Mr Ian MacGregor (May 2) prophesies that an unchanged BSC could cost the nation one thousand million pounds in one year.

Mr MacGregor's transfer fee is a paltry 0.18 per cent of that titanic sum. If he is as effective as Sir Keith Joseph says he is it would seem that the nation has got itself a bargain.

What is all the fuss about?
Yours faithfully,
MARTIN BRIGGS,
Chesham House,
St Dominic,
Salisbury.
Cornwall.

From Mr John Miller
Sir, The cost of employing Mr MacGregor is higher than the combined earnings of the whole Cabinet. Does Sir Keith Joseph who believes in saying people what they are worth know something?

The fact that most of the money for the services of Mr MacGregor goes to his firm makes the matter worse as it prevents the Civil Service from getting a fair slice of it.

Yours faithfully,
JOHN MILLER,
6 Burslem Gardens, N14.

Britain and the EEC

From Mr A. H. P. Humphrey
Sir, Your leader today (April 30), "Disunity in Crisis", is wholly unacceptable. You accuse the Prime Minister of failing to put first things first.

It is you, Sir, who are not putting first things first. Mrs Thatcher was elected to put Britain's interests first. This is what she is doing in refusing to agree to proposals which would require Britain to continue subsidizing the rest of the EEC other than Germany.

I believe the views expressed in your leader will be rejected by a great majority of your readers and by most people in Britain. I hope you will publish dissenting letters accordingly.

Yours faithfully,
A. H. P. HUMPHREY,
100 Essex Place,
Wokingham,
West Sussex.
April 30.

From Mr Christopher M. Jackson, MEP for Kent East (Conservative).

Sir, In our anger at the resumption of butter sales to Russia we should not forget who is really getting the subsidy. It is the farmers of Europe. Butter is purchased by the intervention board at about £1000 per ton above the world market price. This £1000 subsidy, which is paid for by us as taxpayers, goes to our farmers and butter producers. On this argument, the Russians are getting no subsidy if they buy at world market price or above because the true price of butter is the world market price.

There is however a complication. Sales of surplus EEC butter may drive down the world price in a narrow market. If it does, then the Community subsidies anyone.

Fire Service cuts

From Sir Alan Richmond
Sir, The Chief Fire Officer of Hertfordshire has complained about a decision to close the Fire Service Staff College at Dorking (April 23). The Report of the Departmental Committee on the Fire Service (the Holroyd Committee) recommended that the Staff College at Dorking should be phased out and the work undertaken there transferred to the Fire Service Technical College at Merton Park.

The facilities and accommodation available at Dorking were limited and could not be improved without large expenditure. The staffing of the college was expensive (£1 full-time staff, £1000 per annum each) and so the number of specialist teachers was limited. The historic buildings and beautiful grounds at Dorking were expensive to maintain.

The committee had been impressed by the sophisticated facilities which had been developed

Murder in exile

From Mr K. S. Pavlovitch
Sir, "Yugoslavia is often accused of arranging the murder of Croat emigres" was stated in your leading article under the title "Colours of Goddard's threats of murder". (The Times, April 29). Why only Croat emigres, when the list of murdered Serbs is also most impressive: at least one in Paris, three in Brussels, two in Canada, two in the United States, one in Stockholm and two in West Germany, the last one, Dusan Sedlar, on April 16 in Munich. Not to mention the known cases of kidnapping, one in Switzerland and one in Romania.

I remain, Sir, yours faithfully,
K. S. PAVLOVITCH,
Selwyn College,
Cambridge.
April 29.

Knighthoods for judges

From Mr Charles MacMahon
Sir, It appears that the Government is about to make proposals for Northern Ireland. May I suggest that an opportunity now presents itself to correct an anomaly which for no clear reason, has persisted since 1921.

including the Russians, who buys our surplus butter to the extent to which the world price has been driven down.

It is impossible, I believe, to say exactly what the world butter price would be if there were no EEC surplus sales. It would probably be somewhat higher than the current level, but still far below intervention levels. While Russia is certainly not getting, as many people believe, a full subsidy any subsidy to Russia is offensive at this time, that is why I have urged that the EEC should only approve sales to Russia at a premium over the prevailing world price.

But in my view it is even more important that the EEC should concert its action to curb sales to Russia of advanced technology. Russia should only help the Russian war machine.

Yours faithfully,
CHRISTOPHER JACKSON,
Medlars,
Oak Hill Road,
Sevenoaks,
Kent.
May 2.

From Miss J. K. Lines
Sir, Why does the EEC spend about 75 per cent of its budget on agriculture, thus building strange mountains and selling cheap food to Russia? And why does it spend only 2 per cent on industry and transport, thus doing practically nothing to help the Nine face an aggressive world?

No wonder Mrs Thatcher objects to spending our money on this sort of budget.

Yours faithfully,
J. KATH LINES,
4 Laburnum Avenue,
Robin Hood's Bay,
Yorkshire.
April 30.

at Moreton-in-Marsh. For economic as well as for educational reasons, therefore, the committee recommended that it would be appropriate for officers attending Junior Command and Command courses to have the advantage of the facilities at Moreton-in-Marsh.

The committee's recommendation was based on a pragmatic assessment of evidence presented and was motivated by the interests of the Fire Service and the development of its senior officers.

The full arguments are set out in the committee's report (Cmd 4371) published in May, 1970. The recommendations of the committee in this respect were unanimous.

Yours faithfully,
A. J. RICHMOND,
Principal,
Staff College,
Church Road,
Dorking,
Surrey.
April 29.

Judges of the High Court in England by tradition very properly are knighted on appointment. This has never been so in Northern Ireland. Yet the High Court Judges there have exactly the same duties, powers and responsibilities as English Judges; moreover, in dealing with terrorist offences they, and they alone, now have to adjudicate on the law and the facts and the sentence, for there is no jury. Unlike the English Judges, they are required to submit to round the clock police protection.

I would, I know, be welcomed by the legal profession and by all sides of public opinion in Northern Ireland as recognition of their vital contribution to the maintenance of law and order and as a belated tribute to their courage and integrity if the High Court Judges of the Province were now, and in the future, to be treated in the same way as their English brethren.

I am, Sir,
Your obedient servant,
CHARLES J. MACMAHON,
6 Eaton Drive,
Kingston Hill,
Kingston-upon-Thames,
Surrey, KT2 7QT.
April 28.

Expert juries for fraud cases?

From Dr Michael Levi
Sir, The suspicion of jury-tampering which has led to the abandonment of a fraud trial at the Old Bailey after 134 days, at a cost of some £1m, should raise once again in our minds the rationality of trial by common jury in such cases. The Times has twice advocated trial by judge and expert assessors (March 28, 1972 and January 11, 1973); the case for this is stronger now than it was then, as the number and duration of such trials have increased.

The average length of contested conspiracy to defraud cases committed to the Old Bailey in 1977 was 27.6 days. Almost a quarter of those prosecuted for fraud were eventually found not guilty; more than one in seven accused were acquitted by jury. When one takes into account the great reluctance of the authorities to prosecute for fraud, these figures are all the more alarming. In the course of my research on conspiracy fraud (to be published by Heinemann early next year), I found that the present cost and unpredictability of fraud trials discourages prosecution and encourages fraudsters to believe that they can get away with it. Defence counsel often object to potential jurors who look as if they can understand financial matters; a tactic that can be quite effective if there are a number of co-defendants.

It may not require the nose of a connoisseur to smell bad fish. However, it is inevitable that unnecessary trials should be held, with a waste of money more than a million pounds more on trial in front of people largely unfamiliar with business and allowing accused persons to go free without the sensible form of justice which would be to place the evidence on an alleged £27 million fraud before either a special jury composed of business and professional men or a judge with expert assistance.

Yours sincerely,
MICHAEL LEVI,
Lecturer in criminology,
University College,
Cardiff.
May 1.

Violence on the streets

From Mrs Yvonne Craig
Sir, Your correspondence columns today (April 30) include the report of a serious incident of daytime violence which parallels with what I have just been involved during my weekly lunchtime shopping in Berwick Street market.

As I returned to the Oxford Street junction, a group of youths swinging chains with padlocks came towards me and attacked a boy passing by, whose head and face began to stream with blood. I dropped my two bags of shopping, rushed up to the gang and shouted: "Stop it, stop it!" I am over 50 years old, and the youths laughed at me, and then nonchalantly strolled around the next corner. I then tried to help the victim, who said the gang were strangers to him.

My distress for him, and guilt at my own fear and panic were surpassed only by the shame I felt that no citizen stopped, that I saw no rioter during my walk home, and that we, as parents, teachers and governments have failed to provide our children with values, self-discipline and good employment.

Yours truly,
YVONNE CRAIG,
27 Richmond Gardens, WC1.
April 30.

Doorstep deliveries

From the Chairman of the National Federation of Women's Institutes
Sir, Mrs Joan Macintosh, Chairman of the Scottish Consumer Council, referred in her letter (April 21) to Hugh Clayton's "fair but unkind" comment on "divided and muddled" consumer views (April 11). Within the National Federation of Women's Institutes there is neither division nor muddle on the need to ensure the future of doorstep milk deliveries.

In 1978, delegates representing 400,000 women from 9,300 Women's Institutes voted overwhelmingly in favour of the resolution that "This meeting urges the Government to take steps to maintain the British tradition of doorstep milk deliveries".

This Federation believes that the high rate of consumption of liquid milk in this country, which is so valuable from the nutritional point of view, is largely due to the system of doorstep deliveries. Our members are most anxious that no action be taken which might prejudice this valuable service in the United Kingdom.

Yours sincerely,
PATRICIA BATTY SHAW,
Chairman,
National Federation of Women's Institutes,
39 Eccleston Street,
Victoria, SW1.

Horse sense

From Mr D. H. Roebuck
Sir, Surely the Rector of Barton-le-Cley (April 26) would be out leading Kindly Light?

Yours faithfully,
DAVID H. ROEBUCK,
Honeyuckle Cottage,
Sandgate,
Folkestone, Kent.

From Mr M. J. Ashton
Sir, Whilst the correspondence concerning equine nomenclature may be an amusing word-game, it is not also an indication of the continuing decline in the acceptance of standards of truthfulness. From some who should live according to scriptural principles (assuming these are what he preaches) including the requirement for his yea to be yea and his nay to be nay, this would seem to be giving ecclesiastical approval to white lies.

In this case the reverend gentleman was well more of a neigh.

Yours faithfully,
MICHAEL J. ASHTON,
91 Braybrooke Road,
Desborough,
Northamptonshire.

THE TIMES

BUSINESS NEWS

LAINC
make ideas take shape



Sir Arthur Knight: taking a strong line with BL

Department of Industry expected to take over BL from the NEB

By Peter Hill
Industrial Editor

Uncertainty over the future of the British Leyland group has been resolved, according to the Department of Industry, which is expected to take over the group from the National Enterprise Board (NEB).

The decision was announced by Sir Keith Joseph, Secretary of State for Industry, in a statement today. He said that the government had decided to take over the group, which had been in the hands of the NEB since its formation in 1974.

Sir Keith said that the government had decided to take over the group because it was "in the public interest" to do so. He said that the government had decided to take over the group because it was "in the public interest" to do so.

The statement said that the government had decided to take over the group because it was "in the public interest" to do so. It said that the government had decided to take over the group because it was "in the public interest" to do so.

Morgan Guaranty Trust brings its prime lending rate down by 1 pc to 17.5 pc

From Frank Vogl
Washington, May 5.—Morgan Guaranty Trust Company of New York today cut its prime commercial lending rate—the rate it charges its most credit-worthy corporate customers—by 1 per cent to 17 1/2 per cent.

American interest rates are now falling dramatically and the Federal Reserve Board is having to face a crucial and testing decision.

If the central bank maintains its tight money policies, or even tightens them, then the 1980 recession here will undoubtedly be severe. But if the Fed eases its policies, there could be a currency crisis.

The dollar fell in the foreign exchange market here again today because of the continuing downward trend of interest rates. The Fed drained some funds from the money market, perhaps to indicate that it is not easing its policies and is concerned to stabilize the dollar.

The United States currency has fallen by more than 3 1/2 per cent in the last three weeks against a basket of currencies. The dollar's fall has been a shock to the White House, which had expected a more gradual upswing in unemployment.

Mr. Carter today stressed the positive features of the economic picture. He suggested the recession would only be mild, that the declining interest rates were good news and a significant fall in the inflation rate would be seen soon.

Bankers on Wall Street are predicting that money market rates will be highly volatile and that the Fed, mindful of the dollar's decline, might try to slow the declining interest rate pace from time to time.

All the same, the conventional wisdom on Wall Street seems to be that the prime rate will be in the 14 to 15 per cent range by the end of the year. Chase Manhattan Bank today said it was cutting its prime rate to 18 per cent from 19 per cent and then the large Harris Trust in Chicago made a similar announcement.

Economic reports raise doubts on scope for further tax cuts

By Caroline Atkinson

A further deflationary budget this year could be necessary if the Government is to meet its borrowing target, according to stockbroker James Capel.

Other economists today predict that if the Government's assumptions about North Sea oil revenue are correct there will be no room for tax cuts in this Parliament. Stockbroker Phillips and Drew says in a report published today that it expects much bigger government revenues from North Sea oil over the next four years than the Treasury has assumed in its medium term financial strategy.

If the Treasury is correct Phillips and Drew says there is unlikely to be the scope for income tax cuts which are included in the Government's strategy.

OECD chief optimistic on the West

From Harry Debelius
Madrid, May 5

Pessimism about the Western economy was unjustified, M. Emile van Lennep, secretary general of the Organization for Economic Co-operation and Development (OECD), said at yesterday's opening of an international symposium on industrial policy for the 1980s.

The week-long symposium, sponsored by Spain's Ministry of Industry and Energy and organized by the OECD, is to enhance understanding of how the industrial policies of the west can improve economic and social welfare.

M. van Lennep said: "Oil-importing countries lose to it that the real income less resulting from higher oil prices does not offset the profits which are essential for the generation of new investment, but that it is absorbed by all income earners on an equitable basis."

"Much more attention must be given to providing a general climate conducive to private investment and risk-taking throughout industry, including the promotion of innovation. The internationalization of industry will be a permanent feature of structural change in the 1980s that will need to be recognized in framing industrial policies."

"The international flow of technology and the patterns of industrial investment across national boundaries reflect a process of structural change and adjustment within and among enterprises on a world scale that holds promise of much greater mutual benefit."

Last week's report by the Treasury and civil service committee drew attention to the Treasury's apparent underestimation of North Sea oil revenues. It suggested that the Treasury was overoptimistic about the likely future growth in the economy, and about the cuts to be made in public spending.

If growth is lower and public spending cuts smaller than assumed, there will be correspondingly less money for cutting income tax.

The Treasury appears to assume much lower oil production in 1983 and 1984 than expected by many private forecasters, and a higher pound. This leads to a Treasury forecast of £4,750m oil revenue in 1983/84 compared with the Phillips and Drew forecast of £6,250m (at 1978/79 prices).

Welsh plant restarts after receivership

Former directors of a company which went into receivership a year after getting the Welsh Development Agency's biggest investment have bought part of the plant and restarted production.

The four directors involved are part of a merchant bank-backed consortium which has paid the receiver more than £700,000 for the photographic gelatine business of P. Leiner and Sons, the South Wales gelatine makers who were once world leaders in their field and who won three Queen's Awards to industry in the 1970s.

The consortium is headed by Mr. Marshall Kaye, a management consultant and former director of the company. He said that they had now reached agreement with the WDA on leasing the part of the factory which they needed. Production was going ahead immediately.

Fears of aerospace metal cartel

By Arthur Reed
Air Correspondent

A warning that the United States could be faced with an Opec-like consortium to fix the prices of some metals, particularly chromium and cobalt, used in aerospace manufacture, has been given by Mr. Harry Gray, chairman and chief executive officer of the minerals association.

Mr. Gray said that the situation was similar to the oil situation in the Middle East, where Opec had been formed to deal with that country's oil.

Banking on the BSC's new chairman

Continued from page 1

The best known Lazard partner is Mr. Felix Rohatyn, who engineered many of the deals that, through acquisition, made International Telephone and Telegraph such a giant. He also worked for the City of New York and did more than any other individual to try to restructure the city's finances.

But Lazard never received a penny when Mr. Rohatyn was off leaving his favourite city. Nor has it received compensation as it will in the BSC deal.

Grand Met gets court order against Liggett

By Adeline Glesne

Grand Metropolitan yesterday won a court order to prevent Liggett from continuing to use the name of Grand Metropolitan in its cigarette advertising.

A New York court granted a temporary restraining order to Grand Metropolitan, against Liggett and its subsidiary, Liggett and Padgett Corporation, to prevent them from continuing to use the name of Grand Metropolitan in their cigarette advertising.

The order was issued after an action by International Distillers and Vintners (IDV), a subsidiary of Grand Metropolitan, which supplies J&B to the United States. IDV had asked the court to prevent Liggett from using the name of Grand Metropolitan in its cigarette advertising.

Grand Metropolitan, which is bidding \$415m (£280m) for Liggett, had asked the court to prevent Liggett from using the name of Grand Metropolitan in its cigarette advertising.

The hearing officer concluded that Grand Metropolitan's bid was not a genuine offer and that Grand Metropolitan had not made adequate and full disclosure of the conditions of the offer. Grand Metropolitan had said that it intended to proceed with the offer, but the hearing officer found that it was not a genuine offer.

The move by the council comes in the wake of a 200 page report submitted by CIRFS—the Confederation of Industrial Relations Federation of Scotland—to the interests of Europe's 11 main fibre-makers. The dossier contained numerous cases which they considered to be examples of textile dumping by United States producers.

According to the EEC Commission, the permanent anti-dumping duty applies only to the Cyanamid company. Several other American companies and producers in Greece, Turkey, Spain and Japan had either been found not to be dumping or had agreed to increase their prices.

Christmas cards 'threat' from Russia

By Derek Harris
Commercial Editor

Unless the printing industry quickly completed a case against what it claimed were unfair imports of Soviet-manufactured Christmas cards, imports affecting next season's sales could not be stopped in time, said Cecil Parkinson, Minister for Trade, told the British Printing Industries Federation.

The federation has complained about imports of cheap cards from Russia which last year rose to \$2.2 million. This is 3 per cent of the total Christmas card market and between 10 per cent and 13 per cent of the lower-priced sector of the market.

Mr. Parkinson has told the federation: "I must point out to you the risk that, unless the industry makes special efforts to finalize and submit its case, any action which is taken to eliminate any unfair competition will be too late to affect the 1980 market."

Manufacturing industry 'will have to make further investment cuts'

By Edward Townsend

Leaders of Britain's mechanical engineering industry, now facing two years of plummeting orders and sales, have given a warning that the fall in manufacturing industry investment this year will be substantially greater than the 6.10 per cent forecast by the Government.

The latest report from the engineering industry's tripartite short-term trends working party, published today, says that the worsening rate of cost inflation, high interest rates and the effects of the steel strike are squeezing liquidity and profitability and companies will be forced into making further cuts in investment plans.

Since the Department of Industry's investment intentions were announced in November and December, inflation has risen and oil prices have risen and spiralling costs have strengthened the working party's case. This has reduced the willingness and ability of manufacturing industry to invest.

"As expected, interest rates have eased in the latter part of 1980 a partial recovery of investment plans could occur in 1981. This will probably consist of purchases of replacement equipment deferred from earlier plans and will not necessarily herald the beginning of a sustained upturn."

EEC imposes anti-dumping duty on US company's fibre imports

By Bill Johnston

The European Council of Ministers in Brussels has imposed a permanent anti-dumping duty on two fibres imported into Europe by Cyanamid, the American company.

The Council has set a levy of 13.7 per cent on disacrylate acrylic fibre, compared to a provisional anti-dumping duty of 7.2 per cent which is in force since December. Another permanent duty levied is 17.6 per cent on continuous filament acrylic fibre. This is lower than the one previously set at 26.8 per cent.

The move by the council comes in the wake of a 200 page report submitted by CIRFS—the Confederation of Industrial Relations Federation of Scotland—to the interests of Europe's 11 main fibre-makers. The dossier contained numerous cases which they considered to be examples of textile dumping by United States producers.

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The federation is now considering Mr. Parkinson's suggestion that further discussions be held with the Department of Trade's anti-dumping unit.

Stock markets

FT Index 443.6
FT Gilt 67.7

Sterling

\$2.2555
Index 73.2

Dollar

Index 87.2

Gold

\$512.50

Money

3 mth sterling 17.17 1/2
3 mth Euro 13 1/2 13 7/10
6 mth Euro 13 1/2 13 1/10

IN BRIEF

Chrysler reaches loan agreement with Canada

The Canadian government and Chrysler Corporation's subsidiary, Chrysler Canada, have reached tentative agreement on government loan guarantees.

The government is now waiting for Chrysler Canada to clear the agreement with its corporate parent and the United States Chrysler loan guarantee board.

The company and the government have been negotiating guarantees for loans of about \$150m to \$200m (£66m to £88m) but agreement has been delayed by the government's insistence on guarantees of the number of jobs in Canada. Talks are continuing.

400 workers go back

Shop floor workers at Renault and the British constructional engineering company, have accepted an improved offer on pay and working conditions and return to work today. The 400 workers were locked out nearly two weeks ago because they refused to call off a series of strikes and an overtime ban.

M & G profits dip

Interim profits from M & G unit trust group show a small reduction at the pre-tax level to £1.1m compared with the corresponding six months. However, the group is not paying a dividend because of the need to retain reserves against possible tax liabilities in one of its overseas insurance companies.

Hunts' Swiss link

The Swiss Bank Corporation said it was not concerned over multimillion-dollar credits it awarded the Hunt brothers who were involved in huge American silver deals. The bank's total credits to Mr. Nelson Bunker Hunt and Mr. William Herbert Hunt at one time exceeded \$200m (£85m).

Danish package

Denmark's Social Democratic minority Government has reached agreement with three parliamentary parties on a new package of economic austerity measures. When the package is presented to the Folketing (parliament) next week the Government should then command 90 votes out of a possible 179.

Citroen closures

Automobiles Citroen, one of the three car building divisions of the PSA Peugeot-Citroen group, will close its plants for five days this month because of declining demand.

CEGB contract

NEI Royliff of Highborn on Tyneside has been awarded a £2m contract for auxiliary switchgear to be used in the Drax B power station in Yorkshire. The Central Electricity Board has awarded contracts worth £4.5m to NEI in the past 18 months.

Zimbabwe investment

Mr. Robert Mugabe, Prime Minister of Zimbabwe, said yesterday in Bulawayo that he welcomed foreign investment, but it should be Zimbabwe oriented with the majority shareholding retained domestically and profits reinvested.

Wall Street up

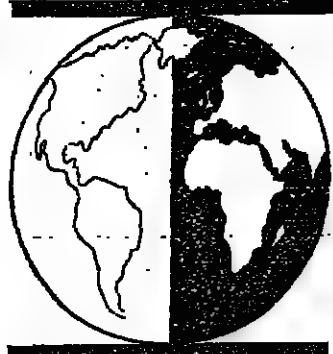
The Dow Jones industrial average closed 5.38 up yesterday at 816.30 on a volume up to 34.09 million from Friday's 28.04 million.

THE POUND

	Bank	Bank	Bank	Bank
	buys	sells	buys	sells
Australia \$	2.09	2.07		
Austria Sch	30.50	28.75		
Belgium Fr	68.75	66.25		
Canada \$	2.72	2.63		
Denmark Kr	13.15	12.60		
Finland Mk	8.80	8.40		
France Fr	9.75	9.35		
Germany Dm	4.24	4.02		
Greece Dr	97.00	92.00		
Hongkong \$	11.40	10.92		
Ireland Ir	1.13	1.09		
Italy Lira	1975.00	1850.00		
Japan Yen	567.00	542.00		
Netherlands Gld	4.69	4.46		

	Bank	Bank	Bank	Bank
	buys	sells	buys	sells
Norway Kr	11.55	11.05		
Portugal Esc	113.00	107.00		
South Africa Rand	2.04	1.90		
Spain Ptas	163.50	158.50		
Sweden Kr	9.85	9.45		
Switzerland Fr	3.96	3.74		
USA \$	2.30	2.24		
Yugoslavia Dnr	51.50	48.50		

Notes for small denomination bank notes only.
Differences apply to travellers' cheques and other foreign currency business.



Saudi Arabia launches £110,000m plan

King Khalid of Saudi Arabia has launched a three-year development plan which will involve spending of £110,000m over the period.

The Saudi state radio has reported that an additional £22,000m has been put aside as an "inflation factor", bringing the total expenditure envisaged to £132,000m or about £22,000 a head. This plan is distinct from the state's annual operational budget which amounts to £20,000m this year.

The previous five-year plan, originally involving £61,800m was outpaced by inflation, forcing the Government to add £26,000m to the budget.

Mission to Athens

A British trade mission led by Lord Jellicoe, president of the London Chamber of Commerce, has arrived in Athens on a visit lasting six days for talks with Greek ministers, bankers and business leaders.

Iran oil sales

Poland has offered to sign a 10-year agreement to buy Iranian crude oil according to Tehran Radio. The offer is believed to have come through a Polish trade delegation visiting Tehran.

Italian wages rise

Italy's automatic wage escalator index rose a record 12 points during the three months ended in April. This boosts wages of all Italian workers by 3.668 lire (£1.45) a month beginning in May. The escalator helps workers keep up with the cost of living.

Dutch deficit

The Netherlands' visible trade showed a deficit of 225m guilders (£47.25m) in February, compared with a 40m surplus in January and a 255m deficit in February last year. In the first two months of 1980, visible trade recorded a 185m deficit.

No imports ban

The West German government firmly rejects demands for restrictions on Japanese imports. Herr Dieter von Wurzen, state secretary at the Economics Ministry, said at an international video equipment fair in Bonn.

Government incentives playing less influential role Changes in regional development

By Peter Hill
Industrial Editor

Government regional incentives are playing a much less influential role in the location of expansion of businesses or their creation in the assisted areas, according to a working paper published by the Department of Industry.

Against the background of the changes implemented by the Government last summer, which redefined the assisted areas and which is being accompanied by a reduction in the level of assistance to development areas over the next three years, the study concluded that since 1971 there have been big changes in the pattern of development.

The study, concerned with measuring the effects and costs of regional incentives, especially over the period 1971-76, said that while there appeared to have been a broad improvement in the general position of the assisted areas during the 1960s and 1970s, it was hard to judge how much was directly

attributable to regional policies. Since 1971, the report said, the volume of movement of companies was much lower than it had been previously and the destinations of moves were no longer closely associated with regional policy measures.

Instead, the most marked feature of employment change generally and movement of companies within it had been the preference for locations which were outside the conurbation.

The study stated that there was strong evidence of an increase of about 6 per cent in the share of investment taken by the three main assisted areas of Scotland, Wales and the North from the mid-1960s to the mid-1970s.

There was also evidence that employment was higher in the three main areas by at least 20,000 annually on a cumulative basis during the period 1966-71, and by about 11,000 on the same basis over the following five years, though it might have been expected on the basis of trends in the 1950s.

But even in the heyday period of regional investment policy—between 1966 and 1970—the report said that it was impossible to distinguish with any confidence how much of the increased share of investment in the development areas represented net national investment creation and how much was simply diversion of investment that might have taken place elsewhere if regional incentives had not existed.

The report concluded: "As a short to medium-term measure to increase employment, regional investment incentives appear to be a more costly measure even than reductions in direct taxation."

But if long term employment gains associated with increased investment and any contributions which it makes to increased competitiveness can be taken into account, it appears probable that regional investment incentives might represent an efficient use of resources.

Two-way speech alarm to extend 'sheltered housing' for elderly

A two-way speech system which can reduce the isolation of elderly and infirm people living on their own has been developed by a Yorkshire company with backing from the National Research Development Corporation.

It offers the possibility of extending the concept of "sheltered housing", in which groups of apartments or houses are in touch with a warden who can respond to emergencies signalled by an intercom-type system, to a wider sector of the community.

Tunstall Byers & Company of Doncaster demonstrated the new system, known as Piper, in London last week. For sheltered housing projects, the system offers new facilities which can be introduced immediately; for wider use, the equipment would need to be adopted by organizations which would install and monitor the equipment as a service, possibly for payment by private users.

Piper enables sheltered housing schemes to be more responsive, in that the warden can remain in touch with all the dwellings under his or her care while moving about from place to place. This is done by clipping the warden's portable master unit on to any one of the wall-mounted speech units in any of the sheltered dwellings.

This flexibility is added to the customary benefits of the sheltered schemes, where alarms can be signalled (by pulling a cord, for example) and two-way speech contact can be maintained between the resident and the warden.

Technology News

People in this 5 per cent were cared for communally in staffed sheltered housing. Soon there would be over 10 million people of retirement age in Britain, or about 18 per cent of the population. For those outside the sheltered schemes, alarm and voice contact could now be provided by linking individual houses via a public telephone network to remote control centres.

Heat and power combination

The first combined heat and power station to be built by the United Kingdom's electricity supply industry, officially opened last week in Hereford, is a classic example of modern control technology working with conventional power engineering.

The project cost £5m and took two years to build. It was designed by the Midlands Electricity Board (MEB) to provide steam and hot water to local industry in addition to 15 million watts of electricity fed to the local grid.

From one system the electricity demand of the general network is satisfied while the exhaust gases produced during that operation heat water which in turn is supplied to specific local industries.

At the heart of the semi-automatic station are two exhaust gas boilers able to harness the energy from the exhaust gases at 450°C while producing 5244Kw of steam an hour. The steam is raised to 235°C before being passed through a network of piping to the local industries.

The resulting design produces the equivalent of 13 million watts of heat annually as a byproduct of the system of generating electricity at a saving of fuel oil, currently valued at £2.5 millions.

Storage system for solar energy

Heat energy from the sun or other sources can be stored for unlimited periods using a "chemical heat pump" developed by Rockcor of Redmond, Washington, under contract to the United States Department of Energy.

This system uses solar, or peak electrical or industrial waste heat energy to separate a liquid chemical compound into two separate chemicals. After separation, the two chemicals can be stored indefinitely.

Since the chemical process is reversible, the energy can be recovered (at between 80 and 90 per cent efficiency) by recombining the two chemicals. A chemical heat pump could store energy in the summer from the sun or from off-peak electricity for later use; and could also be adapted to use solar energy or waste heat for air conditioning.

Rockcor was formed as Rocket Research Corporation in 1959 to supply small rocket engines for spacecraft control. The company has since diversified into other fields and in particular into energy technology.

Operation of the chemical heat pump has been demonstrated in a laboratory prototype, using sulphuric acid and water as the two chemicals. Next step will be a pilot demonstration system.

By Kenneth Owen and Bill Johnstone



Sheikh Youssef bin Fahd Al Saud: holding talks in Riyadh.

Ministers will only review oil strategies

Vienna, May 5.—Oil ministers of the Organization of Petroleum Exporting Countries (Opec), meeting in Taef, Saudi Arabia, from tomorrow until Saturday, will not decide on immediate price rises but will review long-term strategy of prices and production, a spokesman said here today.

Mr Edward Omotoso of Nigeria, said that the long-range plans provide for automatic price rises based on the dollar exchange value. Inflation rates and economic growth statistics in the main industrialized countries, in theory that system should also foresee price cuts.

However, such a programme requires a unified oil price that is hoped to be achieved as the regular Opec ministerial conference due to be held in Algiers on June 9.

"The Opec secretariat is not in a position to give an average oil price at this time," Mr Omotoso said, referring to the uncertain oil situation in the wake of the last Opec conference in Caracas, Venezuela, that failed to reach a consensus on price.

The Taef meeting comes at a time when Opec's oil prices are in disarray. Saudi Arabia, one of the organization's biggest producers, announced plans to raise its price from \$26 a barrel, amid reports it may call on other Opec members to cut prices in order to restore some balance to the chaotic system.

Mr Omotoso denied reports that another Opec conference, specifically discussing price, would be held in Taef or elsewhere, saying there would be a number of additional internal meetings concerning preparations for the Opec summit conference and administrative matters.

The Opec summit to be attended by heads of state and ministers of the 13-nation group, will take place in Baghdad, Iraq, in November to commemorate the 20th anniversary of the group's foundation.

The Baghdad celebrations may coincide with the establishment of Opec's new news agency, Mr Omotoso said, adding that the news service would be operational before the end of the year but could not say if this would be before or after the summit. Al-Dow Jones, Sheikh Ahmed Zaki Yamani, the Saudi Arabian oil minister, held talks in Riyadh with a top official of the Organization of Arab Petroleum Exporting Countries (Oapsec) which is based in Kuwait, the Saudi Press Agency reported.

Petroleum ministers and Saudi Arabia's "leading role" in the region were discussed at the meeting, the agency said but gave no details.

Saudi Arabia, the world's main oil exporter, will be host at the Opec ministerial conference in the summer resort of Taif tomorrow.

Demand for literature to fall by 5 pc

By Edward Townsend

Demand for books, newspapers, magazines and other printed material is expected to fall by almost 5 per cent this year, according to a new survey of the printing and publishing industry by Cambridge Econometrics.

Recession is predicted to affect the industry, with output of books falling by 4.8 per cent this year and printed packaging by 6.6 per cent. Newspapers are expected to be less affected with production dropping by 1.7 per cent.

The survey shows that sluggish consumer demand will be important in the likely difficulties of the next two years. "It will not only reduce sales direct to the public to zero growth, but will also lead to very slow rises in real advertising revenue and printing of promotional material."

More optimism is shown in predictions for the medium term which see demand growing at an average of 3.3 per cent between 1983 and 1986. But the industry is expected to suffer from the strength of sterling over the next few years, with imports increasing and exports falling sharply. Imports of printed material should rise slightly this year but the Cambridge forecast is that they will increase by 10.5 per cent in 1983.

Productivity growth in printing and publishing is expected over the next six years causing a reduction of 67,000 or 12.6 per cent in the labour force. In the same period, average earnings are predicted to grow by 11 per cent a year and unit labour costs by 5.7 per cent a year.

LETTERS TO THE EDITOR

Effectiveness of British banking

From Mr B. G. Pearse

Sir, Some prominence was given to Mr Hutton's letter (April 29) on the uncompetitive state of British banking. He refers to the report prepared by the Bank for International Settlements and, as he has misinterpreted part of that report (as, incidentally, have several newspaper journalists), I think it is as well to set out precisely what was said:

"35 per cent of adult individuals hold an account (current or savings deposit account) with a commercial bank only; 10 per cent with a building society only; 5 per cent with a building society only; 25 per cent of adult individuals hold more than one type of account while 20 per cent hold none."

I think it would be reasonable to say that the 25 per cent of adult individuals who hold more than one type of account probably bank with a commercial bank and a building society and, therefore, a much

smaller proportion of the population is unbanked than Mr Hutton believes.

The recent American legislation is designed to widen the competitive area of the various institutions, to bring about rationalization of the American banking system, which faces considerable additional costs because the Federal Reserve System is now legally bound to charge out for its services such as clearing operations and cash provision. The British banks already meet these charges.

I am not unsympathetic to some of the comments about banking hours but I think we have gone a long way towards publishing our charges tariff and, although not complacent, we should not exercise the usual British option of criticizing ourselves unnecessarily.

Yours faithfully,
B. G. PEARSE,
Barclays Bank Limited,
54 Lombard Street,
London, EC3P 3AB,
April 30.

Interest rates and the small company

From Mr John Harrison

Sir, Your correspondent writing on behalf of small companies (May 1) on the "intolerable" burden of the bank interest rate is making an all too common mistake and I believe that it is important that others who are in the process of developing a business are not misled.

Borrowing from the bank has never cost more than a very small margin above the rate of fall in value of the money borrowed and sometimes not even that. It will, for example, be interesting to look back in a year's time and see whether today's 21 per cent odd represented more than 2 to 4 per cent above the inflation rate. Be that as it may, to be successful a business must have as its measure the aim of producing a margin of profit at which the true cost of borrowing is a reasonable price to pay for the service provided.

On such a basis the penalty for operating a business, on inadequate margins is no greater now than it was in earlier days of borrowing rates in single figures—the effect may simply be a little swifter and thus more dramatic.

From experience of investigating many hundreds of small businesses I can with confidence say that the interest rate is no more than a convenient scapegoat on which to put the blame for ineffective business policies. I write as a fervent supporter of new businesses which I believe are just as dependable a source of prosperity in this decade and the next as the continued growth of already large concerns.

If Mr Verdin gets his sums right

his young company will grow considerably faster and yield considerably more in the process than the same capital investment deposited with his bank.

Yours sincerely,
JOHN HARRISON,
Chesham Amalgamations and Investments Limited,
36 Chesham Place,
London SW1X 8HE.

From Professor Anthony Flew

Sir, Your correspondent Mr Anthony Verdin (May 1) writes: "If Sir Geoffrey Howe, Milton Friedman, or anyone else really think that paying anyone with a spare £1,000 a year for the use of it is reducing inflation they are mad so far removed from reality that it would be difficult to hold a rational dialogue."

On the contrary: it is Mr Verdin himself, and all those others who in times of inflation persist in creating the pounds of one year as if they were of equal value with the pounds of the next year, who are, if not perhaps mad, at best "very far removed from reality". With inflation at 20 per cent the lender of Mr Verdin's example is in real terms getting nothing at all for the use of his money and that, even before Sir Geoffrey as Chancellor takes his large cut of that postdated payment as "unearned income".

Yours faithfully,
ANTHONY FLEW,
26 Alexandra Road,
Reading RG1 5PD,
May 1, 1980.

Strong pound mainstay of anti-inflation policy

From Mr Mark Tennant

Sir, It was sad to see *The Times* in its leading article "Time to end the float" (April 23), undo much of what it has done over the years in the cause of monetarism.

The volatility of exchange markets and international interest rates is not caused by the lack of fixed parities: it is a product of high world-wide inflation. The United Kingdom has one of the highest rates of inflation among the western economies and thus a volatile currency. Trying to reduce it by monetary control will necessarily lead to a higher exchange rate.

To fix sterling at a lower level than its current market price, as you suggest, would mean that some other factor would have to change. That factor would be the money supply, which would have to increase thereby underwriting a further bout of inflation.

There is no doubt that volatile exchange rates make life very difficult for industry, but the answer lies not in cosmetic like fixed parities but in conquering inflation. Surely *The Times* has learnt by now that this will not be achieved by a depreciating pound. The lessons of the past 10 years must have exposed this fallacy. The mainstay of Mrs Thatcher's policy must be a strong pound. Only this will hold down wages in the private sector and thus in the economy as a whole.

Hitting monetarism has recently become a vogue. Since its alternative has been found wanting over a long period of time, it is sad that you, Sir, should have joined in the sport. Yours faithfully,
MARK TENNANT,
31 Alderbrook Road,
London SW12,
April 24.

Bills by credit transfer

From Dr J. P. Dougherty

Sir, Several of the points Mr Hunsworth (April 17) made, in reply to my letter setting out of electricity bills by credit transfer, are fair ones, and some comment by Eastern Electricity would seem to be called for. The substantial charge which Eastern Electricity declined to meet is indeed less than the "small charge" they suggested that customers should pay at the Post Office.

Moreover, the reason given (in the note accompanying the bill) for not meeting it was that it would be unfair to "subsidize one group of customers in this way"; but this is hardly consistent with their willingness to accept payment by credit card, for which the banks make an even bigger charge.

In his penultimate paragraph Mr Hunsworth stated that I

was "not correct" in saying that one could remit money from any branch of a clearing bank to an account "on" that or an electricity board; and the National Giro Bank, through the credit clearing mechanism. However, the procedure I described for such a credit transfer is printed in the National Giro Handbook, and since reading Mr Hunsworth's letter I have used the method to pay a water bill. While I hesitate to cross swords with the Director of the Banking Information Service, I can only conclude that, on this point, he is just plain wrong!

Yours faithfully,
J. P. DOUGHERTY,
10 Spring Lane,
Bottisham,
Cambridge, CB5 9BL,
April 30, 1980

State groups should buy British

From Mr Ivor Hall

Sir, I am surprised that a nationalized industry is not prepared to accept its requirements on "Price, Quality and Specification" for furnishing of their new headquarters in order to use United Kingdom suppliers.

Some three years ago I demanded the offices for British Shipbuilders and one important part of my brief was that we should buy and use only United Kingdom manufactured goods. This we managed to do and selected, particularly bearing in mind the competitive price we were able to negotiate, met both our quality and specification requirements.

Having had the misfortune of passing through Heathrow from time to time, the British Airports Authority hardly gave the impression of being a well organized nationalized industry, so that it is probably why they bought Italian.

I think it is time the Government insisted the nationalized industries bought British and perhaps in the way British manufacturers will be encouraged to upgrade their furniture, not only in terms of design but quality of finish.

Yours faithfully,
IVOR HALL & Associates Limited,
34 Bisham Gardens,
London N6 6DD.

True source of farming surpluses

From Dr G. W. Heath

Sir, Hugh Clayton's article (April 29) asks the right questions but in the end he does not seem to reach the right conclusion. Even on economic grounds British farming cannot be said to be particularly efficient—as I pointed out in my letter to you last November, so far as energy inputs are concerned, the law of diminishing returns has already operated for some time and each rise in the price of fuel means that it operates more strongly.

I cannot see how, by any criteria and particularly economic ones, an operation can be said to be efficient when, over the past two or three decades, it has for much of the time been employing of fossil energy based factors, such as fertilizers, pesticides and tractor fuel and imported feeding stuffs such as fish meal, soya and manioc made itself and its profitability more and more vulnerable to the vagaries of political and geographical factors over which we have no control.

The true source of the surpluses about which so many affect to be concerned, yet seem incapable, unable or unwilling to think about in any intelligent way, lies in our ludicrous and profligate use of scarce non-renewable resources and the badly needed food stuffs of the third world.

Paradoxically, the figures he gives for the decline in the numbers employed in agriculture in the last 15 years indicates that, if, as he suggests, some regard this as a measure of productive efficiency then the United Kingdom's farming has been less efficient than that of our EEC partners, since our farming work force has declined by only a quarter, whereas that of other EEC countries has declined by a third or a half. Least of all, it is only an indication of how much further our partners have to go before they reach our enlightened state, let me say I only raised the point so as to ask the question as I did on November 12, by what criteria do we regard as efficient to drive more and more people from the rural areas and work of a satisfying and important kind into the tensions and squalor of most urban existence?

Yours sincerely,
G. W. HEATH,
Heath & Partners,
Tavistock Mill House,
Tavistock,
Devon.

From Miss Joanne Bower
Sir, Hugh Clayton (April 29) is mistaken in thinking that ecological and other aspects of factory farming, which worry our continental neighbours, are not a consideration in this country. Although cruelty is the main concern of those against battery and other forms of mass production of livestock, the effect of these systems on our landscape, the pollution they cause, and the way in which they threaten a whole time-honoured way of life are certainly a concern of this society and others. The related practice of monoculture, with the destruction of hedges and the use of heavy machinery, artificial fertilizers and poison sprays, is also recognized as a serious threat to the long-term fertility of our soil and wild life. Efficiency in agriculture is not a rich diversity of species and crops, based on a cooperative relationship between men, animals, plants and soil, where by all receive as well as give. Our present practices have been well described as mining rather than farming, and we cannot escape a final reckoning which will demand reparation for the profligacy with the good earth and all its products.

Yours faithfully,
JOANNE BOWER,
Hon Secretary,
The Farm and Food Society,
4 Willfield Way,
London NW11 7XT.

Fair play for car parkers
From Mr Alec Samuels
Sir, "Fair play for car parkers" Mr R. O. Howell (April 25): the report of *Vehicle Standsfield* (1966) Criminal Law Review 443, that a driver's quarter light and smearing marmalade over the driver's seat, the cause of the selfish parker, says:

"Held, dismissing the charge, that in forcing the quarter light of the car the defendant had done no more damage than he had to in the exercise of his clear right to use the highway for getting in and out of his garage, employing the only way he could exercise that right, namely by abating the nuisance. Accordingly, his conduct in that respect did not constitute an offence... The complainant did not allege that he sustained any damage by reason of the defendant's conduct with the marmalade, and this conduct, which was clearly unjustified, could be severed from the damage caused to the quarter light. Accordingly, the charge would be dismissed."

Professor John Smith, in his commentary, points out that if the driver had said the marmalade had damaged his trousers, criminal damage would apply, and in an event an attempted criminal damage appears to have occurred.

Yours faithfully,
ALEC SAMUELS,
Faculty of Law,
The University,
Southampton SO9 5NH,
April 28, 1980

Continuous growth has been our aim, and our achievement

Extracts from the statement by the Chairman, Mr P.G. Walker

Our aim was for continuous growth, and this we have achieved with a further advance in 1979. Total new premiums for the Group were £65.5m, including an encouraging increase in new annual premiums. This is of importance because such business, unlike that secured by single premiums, provides a continuing flow of premium income in future years.

The ordinary life market during 1979 was dominated by business connected with home-buying. In addition to the endowment and mortgage protection business associated with loans from building societies, we were able to generate considerable business by making funds available through our top-up mortgage scheme.

The valuation basis has been strengthened and boosted for all our major classes of with-profit life insurance and pension business have been set against increased to new record levels.

A significant development during the year was the rise to prominence of "Small Self-Administered Schemes". These arrangements allow some part of the pension fund money to be invested directly—back into the business if required—in what enables the employer to take advantage of the security and service provided by an insurance arrangement. To offer a comprehensive range of ancillary services for such schemes we established a further subsidiary company, Sun Life Limited.

Sun Life Pension Management funds under management increased during 1979 by nearly 50%.

to £89.6m making ours the sixth largest managed fund amongst those operated by life offices in the United Kingdom. Two new specialist funds—Stock Exchange Securities Fund and a Property Fund—were introduced towards the end of the year.

Our sponsorship programme continued, with further involvement in squash and badminton. I congratulate the Sun Life Starshow Band, a Bristol-based brass band, on their victory in the BBC Television "Best of Brass" series last summer.

Our advertising campaign has attracted much comment, and our broker friends have been able to capitalise on the friendly approachable image projected by the Man-in-the-Sun and the Man-in-the-Moon. Many people throughout the United Kingdom have become familiar with these characters.

Dividend restraint was removed as from 1st August and the Directors were, therefore, able to declare a substantially increased dividend of 4.25p per share for the second half-year. The total dividend for the year was 6.33p per share, equivalent to a total gross dividend of 4.33p per share which represented an increase of 80% over the equivalent gross for 1978.

SUN LIFE assurance

If you would like to receive a copy of the 1979 Annual Report, complete the coupon and return it to the address below—no stamp is required.

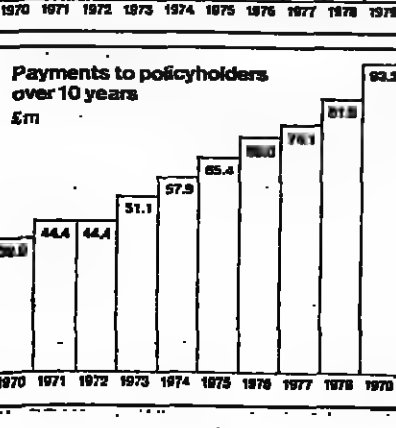
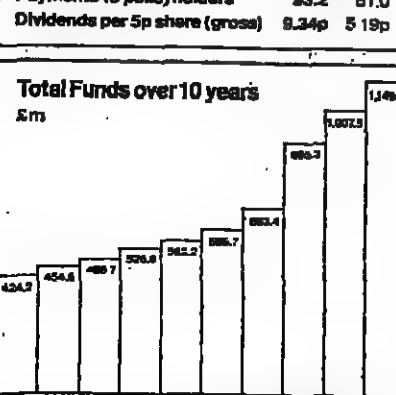
(BLOCK CAPITALS, PLEASE)

Name _____

Address _____

Sun Life Assurance Society Limited, Freeport, Sun Life Court, St James Barron, Bristol BS1 1TX.

SUMMARY OF RESULTS	1979	1978
Premium income	£m 184.9	£m 183.4
Total Funds (Market values)	1,446.6	1,007.5
Payments to policyholders	93.2	81.0
Dividends per Sp share (gross)	6.34p	5.19p



BY THE FINANCIAL EDITOR

Recession and recovery

Backed by growing evidence that recession in the United States is now a reality, in the past month short-term Eurodollar rates have fallen from 20 per cent to under 14 per cent. Bond prices have risen by 8-10 points and prime issues are again yielding less than 12 per cent. Late last week the indications from the United States were that the Federal Reserve Board may be happy to see rates lower yet.

All of this represents an extraordinary transformation. The markets have now returned to the levels of January, when the mood was one of deepening gloom. At that time higher rates were seen to be necessary to kill mounting domestic credit demand in the United States, curb the growth in money supply and precipitate enough of a recession to rein back rampant inflation.

The revival should be seen in its international context. Currency movements in recent months have been overwhelmingly dictated by interest rate changes. Hence the earlier upsurge in the dollar as the disparity between dollar and other currency rates opened out to unprecedented levels.

However, the recent fall in dollar rates has not been proportionately matched elsewhere. Last week, indeed, the German Federal Bank raised official interest rates to keep short-term rates up.

The gap between dollar and Deutsche mark money rates has thus narrowed from 10 to about 4 points, while American inflation is running at 17 per cent and German at under 6 per cent.

Deutsche mark rates accordingly offer a 3-4 point positive return, while on dollars there is a negative return of the same proportions. The dollar has already weakened in response to these realities and, on this analysis, must still be vulnerable.

World equity markets, meanwhile, after a surprisingly strong start to the year in the face of an economic downswing managed to get through last week's mounting international tension without any major setbacks.

Even Wall Street decided to interpret a major bank failure, the wash of the Hunt silver dealings and the prospect of Chrysler's imminent collapse as isolated events rather than signs of a more serious financial malaise.

The major hurdle for equities now is the extent of the recession. Most of the major stockmarkets have been assuming that the recession would turn out to be fairly mild, with destocking taking the brunt of the fall-off in demand.

The leading indicators from the United States are starting to show that its recession may turn out to be sharper than anticipated, and adherence to monetarism in the other major economies could have the same effect.

Laird Group After the closure

Laird Group estimates that the closure of its plate steel works, Patent Shaft, could knock up to £18m off shareholders' funds, by the time that the cost of redundancies is taken into account, and the outcome of attempts to sell this subsidiary's modern and efficient plant—in a depressed world market for steel—is known.



Sir Ian Morrow, chairman of Laird Group, compensation at last.

The worst of the damage—in balance sheet terms—will not be known for a couple of years; but in the meantime cash flow has already had to bear the brunt of the closure costs. So it is just as well that the balance

sheet, just published, shows a relatively healthy position for what is still principally an engineering company—though markedly less healthy than in the recent past.

Last year's huge increase in sales, up from £15m to £207m, thanks largely to increased deliveries of trains, has left debts very nearly twice the level they were at the end of 1978, at £41m, and the money has only partially been found out of creditors (up from £44m to £59.7m).

Laird is still spending heavily on additions to fixed assets (£10.5m last year), and cash flow alone would not stretch so far; and the net result has been a £2m reduction in cash reserves to £4m, and a £7.5m increase in borrowings.

However, with damage wreaked on shareholders' funds by the Patent Shaft provisions partially offset by a revaluation of United Kingdom properties last year—which threw up a surplus of £6.5m—borrowings still amount to only just over one third of the equity; and since the year-end the cash position is likely to have improved since Laird has at last reached agreement on the terms for compensation for the aviation interests which were nationalized in 1977.

In all the Government has agreed to pay £3.75m for Scottish Aviation, some £2.1m of which has been received already. Laird still has to agree terms on the compensation for Cammell Laird, which was nationalized at the same time. In the meantime the group is pushing ahead with piecemeal diversification in other directions, partly with a view to offsetting the preponderance of transport systems in profits at the moment (they contributed £6.9m of the £12.9m made last year, before allowing for the steel losses).

Even after those losses, last year's dividends were more than twice covered by current net profits, so the shares, which yield 5.6 per cent at 87p, have their attractions as a way into one of the few British engineering companies which can still make real profits.

Property shares

Time to take stock

Property shares have risen by almost a third since the start of the year; and the question now being asked in the City is whether the rise can continue.

No one disputes that there are good reasons for the improvement so far. A hunting of rent reviews and reversions over the next five years means that the profits of most property companies can be expected to rise strongly in the immediate future. One property analyst reckons that, at current rental levels, profits could be expected to double within the next five years.

In contrast recession is likely to produce problems for most industrial companies, and bring interest rates down, too, thereby reducing the attractions of cash and near-cash as an investment.

The prospect of a decline in interest rates, from the middle of this year, is cited as one of the reasons for investment in property shares. But this argument is out of date. In contrast to their position during the last period of sustained high interest rates, most property companies now have relatively little in the way of variable rate borrowings.

This is one reason why their profits have continued to rise, despite the increase in interest rates over the past year. This is also why the profits are on the whole, with the exception of companies like Town & City and Law Land—likely to benefit much from a decline in rates.

If anything, in fact, those companies which are financially strong may suffer from such a development—insofar as they now have substantial amounts of cash on the street, earning them handsome returns in the money markets.

Property shares are still better value than investment in property itself. For one thing they are selling at an average discount to net assets of over 20 per cent. For another, in some sectors—West End shop property, for instance—are unlikely to improve on present levels for some time, and they might even fall; but rent reviews and reversions should still produce enough extra cash to keep the dividends moving up.

Nevertheless, with the sector's dividend yield now down to under three per cent, even the sort of profits improvement that Land Securities and Great Portland Estates can be expected to produce in the near future appear to be discounted already.

When she gave her first anniversary interview to the BBC radio programme, *The World This Week*, during her bank holiday break in Chelmsford, the Prime Minister adopted the only possible tactic and counter-attacked hard on the appointment of Mr. Ian MacGregor as chairman of the British Steel Corporation. When pinned in a corner, the right thing often is to plough one's way out of trouble.

It remains, however, an extraordinary political episode. Few single actions for a Conservative government can have attracted the degree of unanimity of mixed criticism and ridicule on the part of newspapers and journals of all political persuasions. Since important issues are at stake, it is to be hoped that the Prime Minister will show her customary ability to learn rapidly from experience and not, at a serious level, simply dismiss the criticism as blind failure to understand that BSC chairmen are more important than football stars.

It is not surprising if third parties should see the arrangement as a way in which the Government through Lord Fraser is seeking to provide Mr. MacGregor with substantial sums of deferred pay, far in excess of anything that could have been paid to him directly as salary, and which will come to him through American pension arrangements outside the reach of the British tax authorities. Such reactions

of envy will no doubt pass. Much more important is the fact that the arrangement entered into with Mr. MacGregor by the Government throws into high relief, but does nothing to resolve, the prior question—namely, why is it that the public sector is progressively finding it more and more difficult to find people of ability to run nationalized industries?

The answer to this question is twofold. In the first place they are not paid enough. In the second they are subject to quite intolerable direct political interference from ministers and civil servants when they try to do their job. In neither respect has the MacGregor affair helped. On the subject of a salary, the chairman of other nationalized industries must be so indeed. They have all from time to time argued that they are under-paid. They have been told that, but that it is not anything that can be done about it. For the normal mixture of motives—interest, ambition, sense of public duty—they have accepted the facts of British life with more or less grace.

This episode must have a destabilizing effect on the morale. On the issue of ministerial involvement, the MacGregor episode has done all of the impression created by the Government's performance during the steel strike. It only because of the lack of any credible policy of intervention once the steel strike had started, the Government at some chief seemed

at least to have established a growing notion that it was not involved in the detailed affairs of the BSC. As recently as February, the Prime Minister said in the House of Commons that she had total confidence in Sir Charles Villiers, the outgoing chairman of the BSC.

The events of the past few days, with Sir Charles going three months before the end of his contract, and the evidence that the Secretary of State for Industry, the Prime Minister and a cabinet committee have long been active as "executive" head-hunters, have substantially undermined that public position.

The whole story points up two major gaps in the Government's array of policies. The first is its whole attitude to the commercial activities of the public sector. The Prime Minister sometimes gives the impression that she thinks it is impossible for the public sector to think commercially and that, therefore, the sooner those bits that can be operated as a profit are sold off to the private sector the better. For the irredeemable ramp, a sign of application, which limits would, in this view, at least keep the problem under some sort of control.

The fact, however, is that a large public sector in the fields of commerce and industry will be with any government for as long as economic man exists. It is critical, therefore, to the total performance of the economy that this large sector should be encouraged con-

tinually to improve its performance. It is becoming increasingly clear that the operation of annual cash limits, lumping together all financial losses or capital development, are, as widely predicted, proving to be a positive hindrance to procuring a sensible running of many of these businesses.

The second major gap concerns the creation of the new businesses of the future. Mr. MacGregor's task at BSC, like Sir Michael Edwards's at British Leyland, is to conduct a complete but massive reduction in the scope of the existing industry. These industries are hopelessly out of touch with the realities of the market, and which they will have to live, not least because they have been protected from these realities by government. Contraction is overdue, and will be painful. The idea, however, that a spontaneous birth of new companies on a sufficient scale to take up the slack, just because interest rates may begin to fall, because personal tax rates have been restored incentives to work, is in the view of many extremely naive.

National economic regeneration will require the involvement of the Government at the day in this country as in all others. If we are to come out on the other side of the terrible recession that is upon us.

Has the Green Paper got it wrong?

The Government's Green Paper on monetary control is the culmination of a debate which has gone on ever since the introduction of "competition and credit control" in 1971. The reason for the debate has been the monetary authorities' poor performance in controlling the money supply.

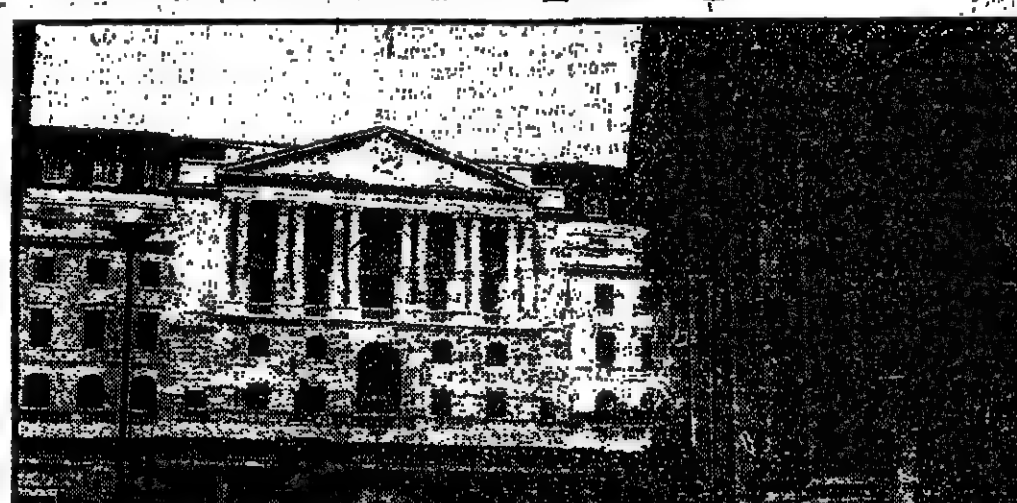
Throughout the seventies money supply growth has been in excess of the target, and has fluctuated widely and the Bank of England has been forced to impose direct controls (the "corset") to bring money supply growth under control. The imposition of controls has resulted in interest rates being distorted and acceptance credit being used to circumvent the controls, which in turn has reduced the significance which can be attached to publication of the monetary aggregates.

Before changing the system of monetary control it is important that past problems be diagnosed correctly. In my judgment the root cause of the problem is that the system requires the authorities to predict the growth in the demand for money, bank lending and gilts, and to hold the non-bank private sector, and then guess the appropriate level of interest rates by fixing minimum lending rates and the "cap" price of gilts.

It is now abundantly clear, however, that they simply do not have the necessary information to enable them to do this. As a result they are groping in the dark, being forced to employ "overkill" in interest rate policy to make sure they achieve control. A good example was the decision to raise M.L.R. by 3 per cent to a record level of 17 per cent in November to be absolutely certain that money supply growth came under control. If the present system was the only means of control, then we would have to live with its imperfections.

Alternative

An alternative method of control, however, is available, which involves the authorities controlling directly the growth of their own monetary liabilities (notes, coins and private sector deposits at the Bank of England). The institutional changes needed to introduce this system would be minimal. M.L.R. could be tied to inter-bank rate, but with a sufficiently large differential to deter the discount houses borrowing constantly; and if necessary, liquidity requirements might be introduced to replace the 12 per cent reserve asset requirement, though less onerous than



The Bank of England: it uses its discount facilities as a lender of first resort.

In the first of two articles on monetary control by leading economists

Brian Griffiths, Professor of Banking and International Finance at the City University, takes issue with the official view

those mentioned in the liquidity document.

The Green Paper puts forward five arguments against a monetary base system such as this: that it would necessitate a big change in the structure of the money markets; that it involves operational difficulties because the base could not be determined on a daily basis; that the demand for the base would be unstable; and so on. It would involve liability management by banks (bidding in money markets when their liquidity is under pressure), artificially driving up short-term interest rates, and that it would take a number of years before it could be established whether or not the system of control was viable.

At present the Bank of England uses its discount facilities as a lender of "first" resort rather than "last" resort. It is a high time that this system was changed because what the Bank is effectively doing is to supply the cash necessary to support the money supply expansion from whichever source it comes—bank lending, public sector borrowing, or from external

flows. Changes in the organization of the money markets are perfectly practicable and could be made quite easily.

The operational difficulties of controlling the base are easily exaggerated. Present practice is a poor guide to the future. In a base system the banks would have built up a buffer of cash to protect them against various eventualities as well as a system of forecasting the demand for the base. The Exchange to help them economize on their cash balances, in addition, no base is suggested that the base be controlled on a daily basis. But it is wrong to suggest that it could not be controlled over a number of weeks fairly reliably.

Switzerland

The stability of the base has to be judged relative to the stability of the demand for money and the stability of the components of the money supply (gilts, bank lending and external flows). In Switzerland where a system such as this has been in operation the demand for the base has been

sufficiently stable to render it a viable system of control.

Whether or not it would involve liability management is an open question. The present system does but that is because banks know that through bidding they can protect themselves against the risk of a cash shortage. In a system in which banks were competing against each other for limited amounts of cash then, as interest rates began to rise, the amount of cash did not, they would very quickly have a profit motive to engage in asset as well as liability management.

It is difficult to argue against the last objection. Of course it takes time to judge the success of any change. But we do know the system works in Switzerland. In any case, if we were to adopt this criterion, generally it would be difficult to change anything at all. This argument, therefore, must be discounted to the extent that it involves a large element of the innate conservatism of central bankers.

In my judgment, therefore, the Green Paper's case against a monetary base system of control is not sufficiently strong to carry the day. Certainly the case for a base is much more attractive than the "indicator" system which the authorities are putting forward. Although it employs the monetary base, it is only a minor

variation of the present system. In fact the monetary base is purely incidental to the system, as the proposal itself shows by making sterling the indicator for change just as well as the base.

The main point is that the method of money supply control is still by price (interest rates) rather than quantity (base) and as such subject to the same kind of instability as the present system of control. It is for this reason that a comparable system of changing foreign exchange rates—the crawling peg—has never been taken up seriously in the international monetary system.

The central issue in monetary reform is the need for the monetary authorities to give up discretionary control of interest rates. In this connexion the reform of the gilt-edged market is also important. From the point of view of improving the techniques of monetary control, the most important reform would be the sale of gilt-edged stock by tender.

The system could be designed so that there was a weekly tender with a basic amount on offer plus a variable amount which would depend on all those uncertainties which the authorities mention so frequently. As in the United States, the Treasury could also conduct some market research by putting together a special committee of brokers and institutions concerned with the question of new public debt instruments such as one-year Treasury bills or indexed bonds is of minor consequence as far as monetary control is concerned.

Social cost

The case for indexed debt is part of a much bigger argument regarding indexing generally—the crucial argument in its favour being that it would reduce the social cost of controlling inflation as part of a medium-term strategy. As far as monetary control is concerned, the only conceivable case for forcing the authorities to move to a general system of tendering as it would be impossible to fix a top price for indexed stock.

The very worst outcome to the present dispute would be a cosmetic tinkering with the present system. However, in view of the Green Paper's objections to the monetary base and the fact that the system it puts forward is a practical non-starter, the present system could be continued in the seeming absence of anything better. If it is, it will mean a repetition of the mistakes of the 1970s in the 1980s.

Next week: Michael Stewart, Reader in Political Economy at University College, London.

Business Diary profile: The rise and rise of Sir Alex Jarratt

If there were a prize for the most charming industrialist in Britain a leading contender would be Sir Alex Jarratt, chairman and chief executive of the publishers and paper-makers Reed International. Last week he was exuding homophony to all and sundry at the annual conference in Brighton of the Advertising Association, his presidency of that body being just one of his many public appointments. This week, he is likely to be seen in steeple mood as the provincial printing dispute menaces Fleet Street.



Behind the urbane exterior lies a tough businessman who at 36 has perhaps yet to reach the peak of a remarkable career both in business and in public life. Sir Alex's name has been mentioned in recent weeks in connexion with the chairman-ship of the BBC. The former civil servant has already turned down the offer of at least one state sector job and is likely to be a future president of the Confederation of British Industry, where he sits as chairman of the quarterly named Balance of Power Steering Committee. It was from this committee that the idea of employers' strike-insurance got afloat, last year's CBI conference in Birmingham, confirming the confederation's place in the headlines alongside the TUC.

Four years later he was chairman and chief executive of Reed, by now IPC's parent and, like it, badly in need of reorganization. Reed was then heading for one of the cyclical slumps that afflict the paper industry, but Sir Alex kept his head and turned the company round.

But he has also dispelled a lot of the enthusiasm with which journalists welcomed his arrival. When 1,500 IPC magazine journalists struck for a day recently, he had them locked out.

Sir Alex says that he left the Civil Service because he was "bored" and "wanted to do something rather than sit in a room." He had almost quit five years earlier to join a

merchant bank, although he says that he thoroughly enjoyed his time in Whitehall.

Some say that his talent for turning round ailing conglomerates is now largely wasted on a group such as Reed which is running smoothly. This is one reason why his name has been a tendency to crop up whenever there is speculation about forthcoming public appointments.

Sir Alex himself says that he finds Reed, as stimulating as ever. "In terms of enjoyment there are few things to parallel running a publishing company," he says. "It is an obvious name to choose on these occasions. It's a useful name to speculate with."

OTTOMAN BANK

NOTICE IS HEREBY GIVEN that, in accordance with Article 29 of the Statutes, the ANNUAL GENERAL MEETING of Shareholders will be held on THURSDAY, the 5th June, 1980, in the GREAT EASTERN HOTEL (HAMILTON ROOM), LIVERPOOL STREET, LONDON, E.C.2, at 12.30 p.m. to receive a Report from the Committee with the Accounts for the year ended 31st December, 1979; to propose a Dividend; to elect definitively two Members of Committee in accordance with Article 16 of the Statutes; and to fix the remuneration of Members of Committee in accordance with Article 18 of the Statutes. By Article 27 of the Statutes the General Meeting is composed of holders, whether in person or by proxy or both together, of at least thirty shares, who, to be entitled to take part in the Meeting, must deposit their shares and, as may be necessary, their proxies, at the Head Office of the Company in Istanbul or at any of the various branches or offices abroad (in London at 2/3 Philip Lane, EC3M 8AQ; and in Paris at 7 rue Meyerbeer, 75009) at least ten days before the date fixed for the Meeting. The Report of the Committee and the Accounts which will be presented to the General Meeting are available to Shareholders at the Head Office in Istanbul and at the offices in London and Paris.

R. A. SUTCH
Secretary to the Committee

6th May, 1980.

David Hewson

FINANCIAL NEWS

Marshall Cavendish suffers setback

Last year profits of Marshall Cavendish, the paperback publisher, collapsed from £1.73m to £272,000, after second-half losses of £2.4m. However, the group claims that unaudited pre-tax profits for the first three months of this year amount to more than £400,000.

Last year's setback is blamed in part on the ITV dispute, which caused the group to cancel the whole of its autumn paperback programme, and in part on problems in the book publishing division, exacerbated by the strength of sterling, which is estimated to have knocked £300,000 off profits.

The group's overdraft rose to £1.8m last year, but should come down significantly as a result of a much improved result this year, according to the chairman. Despite the setback, the group is to pay a final dividend of 0.75p, making 1.5p gross for the year, as against 6.5p last year.

TENDERS MUST BE LODGED NOT LATER THAN 10.00 A.M. ON THURSDAY, 5TH MAY 1980 AT THE BANK OF ENGLAND, NEW ISSUES, WATLING STREET, LONDON EC4A 3AA, OR NOT LATER THAN 2.30 P.M. ON WEDNESDAY, 7TH MAY 1980 AT THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND. TENDERS MUST BE IN SEALED ENVELOPES MARKED "EXCHEQUER TENDER".

ISSUE BY TENDER OF £1,000,000,000

13½ per cent EXCHEQUER STOCK, 1992

MINIMUM TENDER PRICE £96.00 PER CENT

PAYABLE AS FOLLOWS:

Deposit with tender	£20.00 per cent
On Friday, 13th June, 1980	£20.00 per cent
On Friday, 11th July 1980	Balance of purchase money

INTEREST PAYABLE HALF-YEARLY ON 30th MARCH AND 30th SEPTEMBER. This Stock is an investment falling within Part II of the First Schedule to the Finance Act 1963. Application has been made to the Council of the Stock Exchange for the Stock to be admitted to the Official List.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for the above Stock.

The principal of and interest on the Stock will be a charge on the National Loans Fund.

The Stock will be registered at the Bank of England or at the Bank of Ireland, and will be transferable in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Tenders will be of the value of £100,000 or more.

Tenders must be lodged not later than 10.00 a.m. on Thursday, 5th May 1980 at the Bank of England, New Issues, Watling Street, London EC4A 3AA or not later than 2.30 p.m. on Wednesday, 7th May 1980 at the branches of the Bank of England or at the Glasgow Agency of the Bank of England. Each tender must be accompanied by a deposit of £20.00 per cent of the minimum price at which the tender is made. The deposit must be made in cash or by cheque payable to the order of the Bank of England. The deposit must be made at the minimum price at which the tender is made. The deposit must be made at the minimum price at which the tender is made.

A separate cheque representing a deposit of £20.00 per cent of the NOMINAL amount tendered for must accompany each tender. The cheque must be payable to the order of the Bank of England. The cheque must be made at the minimum price at which the tender is made. The cheque must be made at the minimum price at which the tender is made.

Tenders must be for a minimum of £100,000 and for a maximum of £1,000,000. Tenders must be for a minimum of £100,000 and for a maximum of £1,000,000.

Her Majesty's Treasury reserves the right to reject any tender or to accept a tender at a price other than that tendered, or to accept a tender at a price other than that tendered, or to accept a tender at a price other than that tendered.

Letters of allotment in respect of Stock allocated, being the only form in which the Stock may be transferred, will be despatched by post at the risk of the tenderer, and will be sent to the tenderer at the address at which the tender was made.

No allotment will be made for a tender of less than £100,000. In the event of partial allotment, the balance of the amount tendered will be returned to the tenderer by cheque despatched by post at the risk of the tenderer.

Letters of allotment will be sent to the tenderer at the address at which the tender was made. Letters of allotment will be sent to the tenderer at the address at which the tender was made.

Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid. Under payment in full has been made before the date of issue, in which case they must be surrendered for registration not later than 1.15 p.m. on the day of issue.

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Mettoy halves final as profits slump

By Catherine Gunn

The recession in the toy industry has claimed a fresh victim in toy group Mettoy. Its pretax profits collapsed from £3.64m in 1978 to £223,000 in 1979. Trading profits fell to £1.6m, against £2.6m in 1978. The final dividend has been more than halved to give a full-year gross payout of 2.64p, against an equivalent 1978 gross payment of 5.37p, adjusted for the scrip issue. At 27p, the yield on that is 9.8 per cent.

At the interim stage, when pretax profits were already more than halved, Mettoy was hoping to make some of the lost ground with its 1979 Christmas sales. In the absence of that, improvement, increased borrowings and higher interest charges took a heavy toll. Other costs have also risen, and the group's strength of sterling in 1979 hit the company's exports.

A tax credit of £435,000 raises attributable profits to £1.16m, against £2.6m in 1978. The final dividend has been more than halved to give a full-year gross payout of 2.64p, against an equivalent 1978 gross payment of 5.37p, adjusted for the scrip issue. At 27p, the yield on that is 9.8 per cent.

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Spotlight swings to troubled retail sector

The City will be searching again for signs of an improvement in the troubled retail sector this week, when three of the major stores group issue figures. These include full-year figures from Mothercare today, Marks & Spencer, Sainsbury and Sear's tomorrow.

Other groups reporting include Smith & Nephew today, P & O tomorrow and British Sugar on Thursday.

Today sees the publication of the wholesale price index from the Department of Trade followed tomorrow by the UK bank's eligible liabilities, reserve assets, reserve ratios and special deposits for mid-April from the Bank of England.

Also this week the CLCB publishes the London clearing banks' monthly statement for mid-April.

On Thursday the Department of the Environment will be releasing all the figures including housing completions and starts for March. Finally, on Thursday the Department of Industry announces the provisional figures of vehicle production for March.

In a busy week for retailers, Mothercare is expected to present one of the most encouraging sets of results today. Most analysts are going for a fall in the company's 1979 with last year's £157m. They

believe that the group has reduced its United States losses by half to around £800,000, having cleared up the problems in the 50 Mothercare shops and the mother-to-be shops.

Expansion plans, which include opening a further 50 baby shops to bring the total to 100 by the end of the current year, have also been encouraged.

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tomorrow range from £30m to £36m, compared with £14.5m last year. The wide spread is the result of some analysts' decision to add in capital profits, which include the profits or losses from the sale of ships.

Pre-tax profits at the interim stage showed a figure of around £12m, which some had been predicting for the year as a whole. However, the turnaround in its oil and gas operations, an improvement in the bulk shipping market and a better than expected performance from OCL has meant most analysts revising their original figures.

Marks and Spencer, which is reporting full-year results tomorrow, has been less fortunate as far as VAT is concerned. Estimates vary from between a £170m and a £175m pretax profit compared with £166m in 1978. Second-half profits are likely to show the effects of a flat trading period in the autumn, which continued up to Christmas on the clothing side.

However, the food division has, perhaps surprisingly in view of other food retailers' price cuts, held up.

A hefty increase of around 25 per cent in the group's wage bill followed a change in the negotiating date has put pressure on margins, but the dividend is nevertheless expected to

be increased by 30 per cent from 3.3p gross to 5p, unless the results are lower than estimated.

TODAY: Interims: Moss End Grp-Smith & Nephew (1st qtr), Wellco Higgs, and Whessoe. Finals: Cosmin Grp, Geers Cross, John Laing, Marshall's Universal, Mothercare, Jefferson Smurfit, and Third Mile Invest.

TOMORROW: Interims: Central Mfg and Trading Grp, Frederick Cooper (Higgs), J. A. Bevoish and Co., Fulcrum Invest, Tst. Comm. Higgs, Matthew Hall and London, Provincial Shop Centres (Higgs). Finals: Aldford, British Enkalon, Brixton Estate, Dhamat Higgs, Mahinson-Denny, Marks & Spencer, Millers Leisure Shops, P & O Steam Navigation Co, J. Sainsbury, Sears Higgs and Trust, Union (amended).

THURSDAY: Interims: British Sugar, Cullens Stores (2nd int), Davenport Brewery, Hawkins & Tipson, C. H. Pearce, Ransome Hoffmann Poldard (amended), Royal Bank of Scotland, Schlumberger, Gilt Fund, Serck, and Wood Hall Trust. Finals: Atlas Electric & General Tst, Beralt, Tin & Wolfman, British Invest Tst, Canadian & Foreign Invest Tst, Hawtin, Hovington Grp, L. K. Industrial Invest, Moss

FRIDAY: Interims: Richards, Tricentral (1st qtr), Ulster TV, and Vaux Breweries. Finals: Burrell and Co, John Crowther, Edinburgh General Ins Servs, Garner, Scotblair, Nineteen Twenty-Eight Invest Tst, Usher Walker and Weeks Assocs (amended).

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South Africa hit by shortage of skills

High gold prices and strong mineral exports have demonstrated more clearly than ever the extent to which South Africa's dependence rests on its huge and vital mining industry. But, although eager to expand in a favourable market, mining's very success has brought to life a latent defect in the economy: a chronic shortage of skilled labour.

Mining houses are being forced to look hard at their priority needs, as much in terms of available labour as the profitability of their plans. The shortage is common to white and black alike, as many jobs and, unless solved, could prevent the government, from reaching its declared target for average

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Capitalization and week's change

ACCOUNT DAYS: Dealings Began, April 28. Dealings End, May 9. 3 Contango Day, May 12. Settlement Day, May 19

Forward bargains are permitted on two previous days

(Current market price multiplied by the number of shares in issue for the stock quoted)

Stock	Price	Chgs	Int	Gr	Div	Yld	Cap	Company	Price	Chgs	Int	Gr	Div	Yld	Cap	Company	Price	Chgs	Int	Gr	Div	Yld	Cap	Company	Price	Chgs	Int	Gr	Div	Yld	Cap	Company	Price	Chgs	Int	Gr	Div	Yld	Cap	Company
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Legal Appointments

Commercial Lawyer

London

£13,000

International Military Services Limited is a British government owned company, engaged in the supply of defence equipment, technical support and major engineering projects for overseas governments.

Increased company activity has created a vacancy for a Commercial Lawyer to provide in-house legal advice on current and new business and to assist in contract preparation, negotiation and completion. Liaison is maintained when necessary with externally retained Solicitors.

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Applicants should have experience in community law work although new entrants will be considered.

Salary by agreement but within local government N.J.C. scale and not lower than £6,000.

Further particulars from Mrs. R. J. Davies, Liverpool Law Centre, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

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